BRAZIL

US Country Commercial Guide
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January 2005

This document contains a collection of published reports designed to help US companies understand the opportunities and challenges of doing business in Brazil. You may find it easier to view the collection on our website: www.focusbrazil.org.br/ccg.

Country Commercial Guides (CCGs) are published annually by the US Commercial Service, a division of the International Trade Administration in the US Department of Commerce, under the authorization of the US Trade Promotion Coordinating Committee. However, such sections as Top Prospects are updated as new opportunities (or, in some cases, challenges) arise – so we advise US companies to visit early and often.

To see CCGs for other countries, please click on the following link:

http://www.export.gov/marketresearch.html

The US Commercial Service in Brazil (CS Brazil) offers a variety of products and services to facilitate US exports, as outlined in this guide. CS Brazil is also positioned to consider any legitimate request by a US company for export assistance, negotiated on a fee or non-fee basis. CS Brazil has offices in the cities of Belo Horizonte, Brasilia, Porto Alegre, Rio de Janeiro and São Paulo. Specific requests for these products/services or any other requests for export assistance should be addressed to the US Export Assistance Center (USEAC) office nearest you or CS Brazil at any of the addresses below:

To contact us in Brazil: sao.paulo.office.box@mail.doc.gov or (55) 11-5186-7300.

US Mailing Address:
US Commercial Center
AMCONGEN São Paulo
Unit 3502
APO AA 34030-3502

Address Information for Visitors:
RUA THOMAS DELONEY, 381
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Finally, while our reports serve as a good overview for getting started, we encourage US companies to take advantage of our 105 Export Assistance Centers (USEACs) located throughout the US to discuss how we can help you sell your products and services overseas. For the USEAC closest to you, click on this link: www.export.gov/comm_svc/eac.html.

Brazil – The Economic Giant in South America

With a gross domestic product (GDP) of approximately US$ 600 billion, Brazil has the 12th largest economy in the world and represents about half of the South American territory and economy. The country is rich in agricultural, mineral, and industrial resources and offers substantial market opportunities for US exporters in a diverse array of sectors that support Brazil's drive to industrialize further, court energy and transportation investment, and cultivate export-led growth.

US Department of State

The US continues to be Brazil's single largest trading partner. In 2004, US exports to Brazil were US$ 11.5 billion and Brazilian exports to the US were US$ 20.3 billion. In 2005, Brazil's premier foreign trade association AEB forecasts a 20% growth in imports to Brazil, due to the country's recent and projected economic growth and corresponding need for capital goods, raw materials, and subcomponents.

Brazil is also one of the top three locations for US foreign direct investment (FDI). Overall FDI in 2004 increased 70% to reach a total of US$ 17 billion, although it has yet to recover the levels reached during the privatization wave of the 1990's. By the Brazilian Government's own calculations, an additional US$ 16 billion in investments in 2004 was held up by governmental red tape.

Most industrial economic activity is focused around the southeastern states of Rio de Janeiro, Minas Gerais, and São Paulo and includes automobiles, steel, petrochemicals, computers, and aircraft. The Brazilian agricultural sector is well diversified and Brazilians are world leaders in production of sugarcane, coffee, soybeans, and orange juice.

Challenges Remain for Brazil

In spite of its resources and the aggregate size of the economy, Brazil's population - at 180 million making it the world's 5th most populous country - has created challenges for sustainable development. Brazil's GDP grew 5% in 2004, thanks to a strong economic recovery in no small part due to sound macroeconomic policies. However, Brazil continues to experience high unemployment in major urban centers as waves of internal migration from the poor northeastern states move to the southeast. Crime, drug abuse, health epidemics, poor public education, and environmental degradation are major problems that are exacerbated by one of the most unequal distributions of wealth in the world. Yet Brazilians remain guardedly optimistic and are buoyed by consensus forecasts of GDP growth of 4% for 2005.

This optimism is widely shared by the global financial sector, although some caution that a stronger Brazilian currency and slowing economic growth in China could dampen prospects. The Brazilian Government's determination to hold inflation at bay through high federal discount rates (at 18.25%, currently among the highest in the world), uncertainties about future economic plans, and the slowly recovering world economy could conspire to put a damper on growth. However, exports are booming and have provided Brazil with its first current-account surpluses in the past 15 years. Almost one quarter of Brazil's exports go to the United States, much of it in such sophisticated products as midsize jets.

Despite partial liberalization in recent years, the complexities of the Brazilian business environment still create substantial obstacles for US exporters. Doing business in Brazil requires intimate knowledge of the local environment, including explicit as well as hidden costs of doing business (referred to as the "Custo Brasil"). US companies face high tariff barriers, a difficult customs system, a heavy and unpredictable tax burden, and a legal system that is overloaded and often incapable of enforcing business law or intellectual property rights effectively. Nevertheless, many companies find that the opportunities outweigh the risks.

U.S. and Brazil – Common Commercial Goals

Overall relations between Brazil and the US are strong. President Luiz Inacio Lula da Silva, of the left-leaning Workers' Party (PT), has pursued tightly orthodox macroeconomic policies since taking office in January 2003. His administration has focused on tax and social security reforms and the fight against hunger and poverty. The President has promised to respect all contracts and maintain current payments on the external debt. After a slow start, he has redoubled efforts to complete the Free Trade Area of the Americas (FTAA, or ALCA in Portuguese) negotiations in 2006. Successful FTAA negotiations would lead to a reduction in customs tariffs and increased market access for US exporters. In the long run, sustained GDP growth is the best antidote to Brazil's poverty and inequality. Many US companies have invested heavily in Brazil and continue to view it as an attractive export market. ■

With its team of industry sector experts, the US Commercial Service can assist US exporters gain entry into the Brazilian market through market research reports, matchmaking services and advocacy programs. The Commercial Service has offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Porto Alegre. You can visit us at www.buyusa.gov/brazil or contact us at sao.paulo.office.box@mail.doc.gov.

Political Environment

The United States and Brazil have traditionally enjoyed friendly and active relations encompassing a broad political and economic agenda. By most measures - geographic size, population, and gross economic product, each approaching 50 per cent of South America - Brazil is the continent's dominant country. It has played an important role in international collective security efforts - from sending an expeditionary force to the Allied campaign in Italy during World War II to dispatching a battalion to Angola as UN Peacekeepers from 1995-1997 and coordinating the Military Observer Mission on the Peru-Ecuador border (MOMEP). Most recently, Brazil volunteered to lead the UN stabilization force in Haiti, sending over 1,000 troops and providing the UN force commander. Brazil also led the successful effort to invoke the Rio Treaty of mutual security following the events of September 11, 2001. Brazil has also led political efforts for economic integration in the Southern Cone.

To read more about the Political Environment, please click on the link below. You will be directed to the US State Department's Background Notes on Brazil.
http://www.state.gov/p/wha/ci/c2843.htm

- You also may want to consult the US Embassy in Brasilia's website:
  http://www.embaixada-americana.org.br/

- And the US Embassy's Virtual Presence Posts (VPPs) throughout Brazil:
  http://virtual.embaixada-americana.org.br/index.php

Non-US Government links of interest include:

- The Heritage Foundation's Index of Economic Freedom for Brazil:
  http://cf.heritage.org/index2004test/country2.cfm?id=Brazil
- The Latin American Network Information Center 's set of links for Brazil:
  http://www1.lanic.utexas.edu/la/brazil/
- The Brazil-US Business Council's set of links:
  http://www.brazilcouncil.org/displayMultiple.asp?keyword=links
- The Economist magazine's Brazil Country Briefing:
  http://www.economist.com/countries/Brazil/index.cfm

Economic Trends

Brazil spent 2004 regaining the confidence of the markets and dealing with the fallout of a currency crisis in the second half of 2002. GDP grew by 5% in 2004 as the government implemented very tight fiscal and monetary policies to calm financial-market nerves and mitigate the inflationary effects of the previous year's currency depreciation. After investors' initial doubts, the newly elected Lula government continued to reassure markets that it would continue the orthodox economic and financial policies of his predecessor, Fernando Henrique Cardoso.

To read more about Brazil's economy, please click on the link below. You will be directed to the US State Department's Background Notes on Brazil.
http://www.state.gov/p/wha/ci/c2843.htm

You can also read our July 2004 Report on Economic Trends

The letters PDF or symbol indicate a document is in the Portable Document Format (PDF). To view the file, you will need the Adobe® Acrobat® Reader which is available for **free** from the Adobe web site.

There is a wealth of information available to investors interested in Brazil. The web sites listed below are a good start. The Government of Brazil's sites are in Portuguese, but most allow you to switch the language to English (usually a button in the top right corner).

- Central Bank of Brazil:
  http://www.bcb.gov.br/
- Brazil's Ministry of Foreign Trade Relations
  Trade Promotion Department:
  http://www.braziltradenet.gov.br/.
- Brazil's Ministry of Development (MDIC):
  http://www.desenvolvimento.gov.br/ and
  www.investebrasil.com.br.
- Brazil's Institute of Statistics (IBGE):
  http://www.ibge.gov.br/.
- Brazil's Treasury Ministry:
  http://www.fazenda.gov.br/ .
- LatinFocus:
  http://www.latin-focus.com/latinfocus/countries/brazil/
- Latin American Network Information Center (LANIC), an affiliate of the University of Texas:
  http://www.lanic.utexas.edu/la/brazil/economy/
- Economist Country Briefing:
  http://www.economist.com/countries/Brazil/
- The World Bank:
  http://www.worldbank.org/
- CIA World Factbook:
  http://www.cia.gov/cia/publications/factbook/geos/br.html
- US Embassy in Brazil:
  http://www.embaixada-americana.org.br/.

Overview

With one of the world's largest and most diversified economies, Brazil represents an attractive opportunity for a variety of US products and services. Given the size of its population, the wealthiest percentile of Brazilian consumers alone constitutes a target market for consumer goods and services that surpasses the entire population of many other countries. In addition, the sophistication of Brazil's industrial and financial sectors, and hence its demand for intermediate goods and services, is first rate.

As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. The US Commercial Service (USCS) has a team of sector experts who are dedicated to helping US companies do business in Brazil. To see if we have published a top prospects report on your sector, please click on the following link: www.focusbrazil.org.br/ccg. If you do not see a report for your product, or if you want to investigate opportunities further, consider contacting us directly to find out how we can help you export to Brazil.

This report addresses issues to consider once you've determined that there's a market for your product or service. Brazil can be a challenge for US exporters, especially small to medium-sized companies, although the situation has improved considerably in the last 10 years.

Distribution and Sales Channels

All of the customary import channels exist in Brazil: agents, distributors, import houses, trading companies, subsidiaries and branches of foreign firms, among others. Brazilian importers generally do not maintain inventory of capital equipment, spare parts, or raw materials. This is partly due to high importation and storage costs. Recently, due to the creation of additional bonded warehouses, industries that rely heavily on imported components and parts are maintaining larger inventories there.

Agents and Distributors – Critical for Most Companies

Although some companies import directly from foreign manufacturers without local representation, in most cases the presence of a local agent or distributor can be very helpful. As in other countries, the selection of an agent requires careful consideration. In general, larger companies will have sales offices throughout Brazil, which is key for US companies seeking countrywide presence. Smaller agents may have geographical limitations. Note, however, that manufacturers' representatives do not exist in Brazil.

Lawyers recommend that the exporter and representative have a written agreement. The advantages of a written agreement are that the exporter can limit his liability in case of any product defects, can define the type of warranty, protect his trademark and better ensure payments.

Wal-Mart operates 13 superstores and 10 Sam's Clubs in Brazil and is growing rapidly. It faces stiff competition, however, from Carrefour (French) and Pão de Acucar (Brazilian).

It is up to the foreign firm and the local agent or distributor to negotiate the type of representation, whether it is an exclusive representation and whether performance targets are included. Contract clauses are freely negotiated between the foreign and local firms. However, we strongly suggest that US companies consult with a Brazilian law firm before signing any type of agreement with local firms to avoid legal problems in the future. Under Brazilian law, an agency agreement entitles an agent to receive a termination amount equivalent to at least 1/12 of all commissions received throughout the contract.

If you are contacted by an agent, distributor, or direct buyer in Brazil who is interested in importing your products or services, you also might consider referring him to our report *Como Importar dos Estados Unidos* (How to Import from the US). It can be found at www.focusbrazil.org.br.

The USCS in Brazil is particularly good at helping small and medium-sized US companies find reliable agents and distributors. We have staff in São Paulo, Rio de Janeiro, Brasilia, Belo Horizonte, and Porto Alegre, in addition to over 40 affiliate offices throughout Brazil. For more information on how we can help you, please refer to our Guide to USCS Brazil Services at www.buyusa.gov/brazil.

Franchising – a Top Prospect for US Companies

Franchising is one of the healthiest segments in the Brazilian economy and accounts for approximately 25% of gross revenue in the retail sector. Local Brazilian Franchises dominate the market (90%); however, foreign groups, particularly from the US, are making their way into the market too. The apparent success of local franchise operations is primarily attributed to the speed of service and quality of products offered by these firms.

To take best advantage of this huge market, US franchisers must be prepared to adapt their product or service to the Brazilian market, invest in market research and test market receptivity through pilot projects. Franchise consultants call this process "the tropicalization of the franchise."

The Franchising Law requires close attention. It states that franchisors - or their master-franchisees - should provide all potential franchisees with a Franchise Offering Circular (Circular de Oferta de Franquia). This document must contain basic information regarding the economic and financial health of the franchisor, as well as information on any pending legal disputes.

USCS Brazil considers this area to be a top prospect for US franchisers and has helped several US companies gain market share in this country. A report on franchising is available at www.focusbrazil.org.br/ccg. In addition, US Government loans and insurance are available through the Overseas Private Investment Corporation (http://www.opic.gov/). USCS Brazil represents OPIC in Brazil and can help you investigate a variety of opportunities in this area.

Direct Marketing and E-Commerce – Growing Fast

Brazil is a large country with a vast untapped interior that is perfect for direct marketing. E-commerce is on the rise and provides many additional marketing and business opportunities. Because of its excellent postal service, direct marketing is a proven way to reach 35 million middle-class Brazilian consumers. On average, Brazilians only receive 10 percent as much direct mail as US citizens each year.

Although the Brazilian market differs from that of the US in regards to telemarketing, postal rates, regulations, fulfillment, printing and mailing services, US exporters do well in South America. In 2003, US exports to Chile, Brazil, and Argentina topped US$ 16 billion dollars. US leading catalog, E-commerce and teleservice firms have had a significant presence and have successfully marketed their products and services in Brazil. Amazon.com is the largest online bookseller in Brazil.

Brazil is the ninth largest Internet market in the world and the first in Latin America with the most advanced Internet and e-commerce industries. The Internet is having a profound effect on Brazil, and Brazilians have rapidly become the Latin American leaders in technological innovation and Internet applications. Today, approximately 30 million Brazilians are on-line on a regular basis, increasingly using broadband, and there are 51 million credit cards in circulation. Growth has been steady and given the fact that B2C e-commerce revenues were US$ 4.5 billion and B2B revenues were US$ 12 billion in 2003, we expect to see growth of 10% in this sector.

USCS Brazil considers this area to be a top prospect for US companies and has published a report on e-commerce opportunities, available at www.focusbrazil.org.br/ccg.

The Brazilian Direct Marketing Association (ABEMD) has over 1,000 members and reported that catalogers, financial service companies, publishers, telemarketers, e-commerce companies, and service suppliers to the direct marketing industry constantly look to Brazil as a growing market. Nevertheless, US companies must track the latest information about direct mail, internet marketing, telemarketing, mailing lists, databases, media, DRTV, shipping, tariffs, taxes, credit cards, financial services, and other subjects vital to direct marketing.

US exporters may sell directly to Brazilian consumers or distributors. However, different Brazilian customs rules apply to these types of transactions. As far as shipments to distributors or Brazilian trading companies, US exporters can only sell to Brazilian companies that are registered with the Secretariat of Foreign Trade (SECEX) of the Ministry of Development, Industry and Commerce (MDIC). SECEX plays a central role in the implementation of directives on trade issues in general. With respect to sales to end users or consumers, US exporters may ship the goods directly to them.

US Direct Sales to Brazilian Consumers

Shipment Value	Duties/Tariffs	Restrictions
Under US$ 50	Duty Free	Can't be resold
Between US$ 50 - 500	Flat 60% Import Tariff *	Can't be resold
Over US$ 500	Product-specific Tariff	Brazilian Company registered with SECEX must import

* Exceptions apply to pharmaceuticals and books, which may qualify duty-free importation.

Joint Ventures/Licensing – Essential for Some Sales

Establishment of joint ventures is a common practice in Brazil. A major motivation for joint ventures is to pair foreign firms with Brazilian partners to compete in segments of the government procurement market or in other markets subject to government regulation, such as telecommunications and energy. Usually, joint ventures are established through two main legal formats -- "sociedades anônimas" or "limitadas," which are legally similar to corporations and limited partnerships companies in the US

Licensing agreements are common forms of accessing the Brazilian market. Use of a competent local attorney in structuring such an arrangement is advised. All licensing and technical assistance agreements, including trademark licenses, must be registered with the Brazilian Industrial Property Institute (INPI, at http://www.inpi.gov.br/).

Establishing an Office in Brazil

Either setting up a company in Brazil or acquiring an existing entity is an option for investing in Brazil. Setting up new companies is relatively complex, although the Ministry of Development has signaled its desire to simplify this process. Acquisitions of existing companies are monitored by the Central Bank. Corporations (sociedades anonimas) and limited liability companies (limitadas) are relatively easy to form. Local law requires that foreign capital be registered with the Central Bank. Failure to do so may cause serious problems related to access to foreign exchange, capital repatriation, and profit remittance.

For more information on the steps you need to take and the risks and rewards that await you, please refer to our report on Brazil's Investment Climate at the following link: www.focusbrazil.org.br/ccg. In addition, as in the US, there exist opportunities to outsource payroll and human resources services. The Government of Brazil has a wealth of information for would-be investors at the Ministry of Foreign Affair's Trade Promotion Department website:
http://www.braziltradenet.gov.br/.

Selling Factors and Techniques

Sales are typically price-driven, but quality is also an important factor. Generally, US goods are perceived as high quality products, but the opening of the market in the early 1990s upgraded considerably the quality of locally produced products. To be competitive in the market, US companies must offer high quality products at competitive prices. Other important aspects include financing, delivery, after sales support and customer service.

To be successful in Brazil, US companies should also take into consideration the local culture and technical requirements, and adapt their products accordingly. In many cases, products manufactured at US standards are not acceptable in Brazil. Due to Brazil's vast territory and cultural differences, one must often develop different approaches for different parts of the country.

Advertising and Trade Promotion

Advertising in specialized trade and technical publications is an important marketing tool in the Brazilian market. With its well-established and diversified industrial sector, Brazil has a variety of specialized publications that serve the industrial and business communities. US companies willing to sell in the Brazilian market should not ignore advertising in these trade publications. TV advertising in Brazil is also highly developed and plays an important role in the promotion of consumer goods and food products.

Brazil is home to many sophisticated advertising agencies, with first-world standards and a high level of creativity. According to Zenith Media and The Economist, Brazil's total ad spending in 2001 was US$ 6.9 billion and the sector has been growing steadily since then.

Most of the top networks in Latin America have a presence in Brazil, including McCann-Erickson, J. Walter Thompson Co., Ogilvy & Mather, Euro RSCG, Leo Burnett, Y&R Advertising, D'Arcy Masius Benton & Bowles, Foote, Cone & Belding, DDB Worldwide Communications, Grey Worldwide, Lowe & Partners, Publicis Worldwide, Fischer America Comunicação, Duailibi Petit Zaragoza Propaganda (DPZ), Grupo Interamericano de Comunicação, Saatchi & Saatchi, Talent Comunicação, Bates Worldwide, and TBWA. Brazil accounts for approximately 42% of publicity gross income in the region.

Top advertisers vary from year to year, but include such companies as Unilever, VW, Fiat, Ford, and GM. The top ad categories per investment ($) are: trade & commerce, consumer services, culture, leisure, sports & tourism, media, and public & social services; and the top ad-funded web sites in Brazil include Universo OnLine with over one million subscribers, followed by Terra Lycos, Internet Gratis (IG), and America Online.

US automotive companies have invested in and exported to Brazil for over 80 years. Car companies in Brazil have set world-class standards for marketing and direct sales over the internet.

The biggest and most popular magazine in Brazil with a circulation of over one million copies is a weekly publication called Veja, published by the Abril Publishing Company (www.uol.com.br/veja) and the biggest daily circulation newspaper is Folha de São Paulo, published by the Folha Group, with a circulation of 400,000 on Sundays and 300,000 from Tuesday through Saturday (www.uol.com.br/fsp) .

Participation in Brazilian trade fairs is another important marketing tool. The city of São Paulo alone hosts around 300 trade fairs per year. Other cities host significant shows as well, e.g. Oil and Gas (Rio de Janeiro) and Mining (Belo Horizonte). These events attract a large number of visitors and exhibitors from Brazil and foreign countries. The USCS in Brazil participates actively in many of these events and can help you both attend and arrange additional meetings with potential agents, distributors, lawyers, and customers. For more information on upcoming trade events, please visit our website: www.buyusa.gov/brazil .

Product Pricing – a Challenge for Sales in Brazil

Due to high local interest rates, often the price of products sold in the domestic market reflects financing costs. Therefore, price negotiations are intimately related to the supplier's payment terms. It is not unusual for a company to select a supplier whose prices are higher than the competition based solely on payment terms.

The tax burden in Brazil on both imported and locally manufactured products is the heaviest in Latin America and higher than in the US. To be competitive in the market, several companies are reducing profit margins and implementing efficient logistics systems to reduce costs.

In the case of foreign suppliers, it is important to calculate the import-related costs. In Brazil such costs are generally high. In some cases they are so high that a simple calculation may indicate that margins will not allow you to compete with a locally made similar product. For more details on how to calculate the landed cost for exporting your product to Brazil, please refer to our report on Trade Regulations and Customs at the following website: www.focusbrazil.org.br/ccg.

After-Sales Service and Customer Support

The "Consumer Protection Law" of 1992 requires customer support and after-sales servicing. In the case of imported products, the importer or the distributor is responsible for such services. Therefore, it is important that US manufacturers appoint agents or distributors in Brazil that are qualified to provide such services.

Selling to the Government – Possible, but Challenging

Winning contracts with the Brazilian Government is a challenging proposition even for large US companies. Without a significant in-country presence and the patience and financial resources to respond to legal challenges, charges of corruption, and bureaucratic delays, exporters should proceed with considerable caution.

Still, the Brazilian Government is expected to spend a significant amount in a variety of areas. And US companies may find success through creative subcontracting with larger Brazilian firms better placed to navigate through this maze. Finally, the European Union and the US are both encouraging Brazil, through trade negotiations with Mercosul and FTAA respectively, to liberalize government procurement in order to spend scarce resources more efficiently.

Government Procurement – Theory vs. Reality

Brazilian Government procurement policies apply to purchases by government entities and by parastatal companies. Government procurement regulations contained in Law 8666 of August 1993 established an open competitive process for major government procurement. Under this law, price is to be the determining factor in selecting suppliers, i.e., the bid with the lowest price becomes the provisional winner. Law 8666 establishes general norms regarding tenders and administrative contracts (for goods and services) to be followed at the Federal, State, and Municipal levels, by entities directly and indirectly administered by the Federal Government, special funds, public enterprises, and companies of joint public and private ownership that are controlled by the Brazilian Government.

In theory, the Brazilian Government may not make a distinction between domestic and foreign-owned companies. However, in the case of a tie in the tendering process, preference is given to goods produced or services supplied by Brazilian firms of national capital; domestically produced in Brazil; or produced by a Brazilian company.

Most government procurement processes are open to international competition, either through direct bidding, consortia or imports. However many of the larger bids (e.g. military purchases) become very political and are done through sole sourcing or national security arrangements that exclude competition. This kind of purchasing often requires an act of Congress, which can be difficult and time consuming.

Brazil is **not** a signatory of the WTO multilateral Agreement on Government Procurement (GPA), and as such does not necessarily use the same procedures as developed country signatories. International bidding is required for all procurements with international development bank funding, i.e. the Inter-American Development Bank, the World Bank, etc. The Brazilian executing agencies of IDB loans require international bidding above specific ceilings, according to IDB procurement guidelines. For example, consultant contracts require international bidding above US$200,000 and civil works above US$5 million. However, portions of major projects financed by IDB may not require bidding where local Brazilian counterpart funding is involved.

Government procurement of telecommunications equipment and data processing (informatics) equipment is exempted from the above requirements. Special requirements were established in 1993 and 1994 allowing locally manufactured telecommunications and informatics products to receive preferential treatment in government procurement, and to be eligible for tax and other fiscal benefits based on meeting local content and other requirements.

These exceptions to WTO norms are significant: the Brazilian Federal Accounting Court recently noted that 51% of the Government's procurement in 2003 was done without a formal competitive bidding process. Often the Brazilian Government cites emergencies in procurement actions that would make the open bidding process time-prohibitive. At all levels, corruption remains a concern. The Federal Controller-General recently reported that 70% of cities with populations of over 300,000 had demonstrated corruption or misdirection of public funds.

Government Bidding – Best to Obtain a Local Partner

In practice, it is difficult for foreign companies to operate in the public sector in Brazil unless they are associated with a local firm. To be considered Brazilian, a firm must have majority Brazilian capital participation and decision-making authority, or operational control. A Brazilian State enterprise is permitted to subcontract services to a foreign firm if domestic expertise is not available for the specific task. A foreign firm may only bid for government contracts to provide technical services when no qualified Brazilian firms exist.

In the case of international bids to supply goods and services or specific government projects, successful bidders are required to have local representation -- i.e., legal presence in Brazil. Since the open period for bidding is often as short as one month, it is advisable to have a partner resident in Brazil who is able to act on tenders as soon as they are announced.

A US supplier may find that inclusion of local purchases of Brazilian goods and services within its bid, or significant subcontract association with a Brazilian firm, will improve the chances for success. Similarly, a financing proposal that includes credit for the purchase of local goods and services for the project will be more attractive.

Advance descriptions of US suppliers' capabilities can often be influential in gaining a bid contract. These early proposals can be effective even before the exact terms of an investment plan are defined or the project's specifications are completed. Such a proposal should include financing, engineering, and equipment presentations.

Due to the advance of internet technology and its successes with e-government trials, the Brazilian Government is changing Law 8666 to modify electronic procurement. The goal is to create a more efficient system using electronic purchase contracts and to allow small companies to have a better chance at competing with medium and large size companies. The program is still in a pilot phase and only covers a few categories.

Obtaining a Local Attorney

Local assistance can be very useful when entering, consolidating or expanding in the Brazilian market. Understanding the legal aspects of the Brazilian market is extremely important. To operate in accordance with Brazilian laws, it may be essential to hire a local lawyer, qualified to act on behalf of the foreign company. Without the appropriate legal assistance, investors might be subject to several liabilities, which range from a denial of an appropriate authorization to operate in the Brazilian market to facing obstacles with a Brazilian partner, causing eventual losses to the foreign company.

Local lawyers can assist with minimizing your company's tax burden by taking advantage of tax incentives provided by local, state or federal levels. Lawyers can also explain aspects related to real estate, labor, intellectual property, and antitrust laws, all of which can be complicated in Brazil. Local legal council may also provide expertise in negotiating with local players.

The USCS in Brazil maintains a list of lawyers who have demonstrated experience representing US companies or who have expressed interest in doing so. Many have staff fluent in English. To obtain this list, please go to our website: www.buyusa.gov/brazil.

Due Diligence – Checking Banks, Agents, Customers

Because laws regulating commercial agreements and commercial transactions vary from country to country, we strongly encourage all US companies to conduct legal and financial due diligence before completing a commercial transaction or formalizing any agreement overseas. In Brazil, the USCS can provide US companies with lists of well-known and respected credit rating companies and law firms who can conduct credit checks on potential customers or provide important legal advice before signing commercial agreements.

In addition, the USCS in Brazil offers US companies detailed background information, including visits to the target company, through its International Company Profile (ICP). For information on this product, please go to our Guide to USCS Brazil Services at www.buyusa.gov/brazil. However, it should be noted that US companies may not have access to all private and confidential documentation and information. Additional information on publicly traded companies may also be available through Brazil's Revenue Service (Receita Federal). ■

Resources

- USCS Brazil's reports on Top Prospects for US exporters: www.focusbrazil.org.br/ccg
- References for business service providers, CS Brazil's Guide to Services, etc: www.buyusa.gov/brazil.

With its team of industry sector experts, the US Commercial Service can assist US exporters gain entry into the Brazilian market through market research reports, matchmaking services and advocacy programs. The Commercial Service has offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Porto Alegre. You can visit us at www.buyusa.gov/brazil or contact us at sao.paulo.office.box@mail.doc.gov.

Overview – Trade Barriers Continue to be Significant

Although Brazil has made substantial progress in reducing traditional border trade barriers (tariffs, import licensing, etc.), tariff rates in many areas remain high and continue to favor locally produced products. Brazil's barriers to trade are a cause for concern for the US Government and the European Union (EU), both of whom continue to work through regional trade accord negotiations and at the WTO level to influence tariff and non-tariff barriers.

This report touches upon a broad range of trade regulations that may affect US companies seeking to export to Brazil. However, due to ongoing negotiations within the Free Trade Agreement of the Americas (FTAA) and Brazil's de facto leadership of the Southern Cone group Mercosul (Mercosul is the Brazilian [Portuguese] acronym for Mercosur [Spanish]), the information in this report may become quickly dated. US companies are therefore urged to contact the US Commercial Service (USCS) in Brazil with specific questions or concerns at www.buyusa.gov/brazil.

The US signed a trade and investment framework agreement with Mercosul in 1991 and will continue to encourage the reduction of barriers to trade and investment, including tariffs and the creation of a customs union that is open and consistent with the WTO, specifically GATT Article XXIV.

Tariffs, Non-Tariff Barriers, and Import Taxes

Tariffs, in general, are the primary instrument in Brazil for regulating imports. All tariffs are ad valorem, with rates between 0-35%, levied on the Cost Insurance Freight (CIF) value of the import, with the exception of some telecommunication goods. Brazil's average applied tariff was 17% in 2002. The average tariff in 1990, by contrast, was 32%. Brazil also maintains a higher average tariff on processed items than on semi-processed goods and raw materials. The United States continues to encourage tariff reductions on products of interest to US firms.

Brazil and its Southern Common Market (Mercosul) partners, Argentina, Paraguay and Uruguay, implemented the Mercosul Common External Tariff (CET) on January 1, 1995. In November 1997, after consulting with its Mercosul partners, Brazil implemented an across-the-board three-percentage point increase on all tariffs (inside and outside the CET), raising the ceiling from 20 to 23%. The surcharge is being gradually phased out, but given uncertainties over Argentina's economic recovery, its elimination may be delayed. Other Mercosul members have also unilaterally adjusted their tariffs in response to economic crises, and given these developments, the CET is currently full of exceptions.

SISCOMEX – Computerized, but additional requirements
In January 1997, the Secretariat of Foreign Trade (SECEX) implemented a computerized trade documentation system (SISCOMEX) to handle import licensing, and a wide variety of products were subject to non automatic licensing. There are fees assessed per import statement submitted through SISCOMEX, and importers must comply with onerous registration guidelines, including a minimum capital requirement, to register with SECEX (the Foreign Trade Secretariat). Complete information on requirements for importing into Brazil is available only through SISCOMEX, which is only available to registered importers

Comparing Tariffs	Source: USTR
Average Brazilian Tariff on Goods	17%
Average US Tariff on Goods	1.7%
Average US Tariff on Agriculture	12%

Beginning in October 1998, Brazil issued a series of administrative measures that required additional sanitary/phytosanitary (SPS), quality and safety approvals from various government entities for products subject to non automatic licenses.

To fight increasing under-invoicing, Brazil issued a series of measures that required additional approvals for products subject to non-automatic licensing, and broadened the list of such products. While the Government is now in the process of phasing these out and moving most products to the automatic license category, these requirements still present a barrier. Under Brazil's new Customs Valuation regulations, Customs will focus its efforts on under-invoicing, and is authorized to hold up imports until the goods are valued.

WTO compliance?
A primary concern has been the use of minimum reference prices both as a requirement to obtain import licenses and/or as a base requirement for import. It appears that the Government of Brazil has required some products to meet minimum prices for the issuance of import licenses in order to receive normal customs processing. This requirement raises questions about whether Brazil's regime is consistent with its obligations under the WTO. In November 1999, the US actively participated as an interested third party in European WTO consultations on the issue, and in July 2000 the US held its own WTO consultations with Brazil. The Brazilian Government reportedly has modified its customs regime somewhat, but it has not codified these changes in a public document. Senior Brazilian officials have stated to US Embassy officers since late 1999 that such requirements currently do not exist.

In addition, product registrations from the Ministry of Health are required for imported processed food products and food supplement products effective March 1, 2000, with a reduced term of validity for registrations. Registration fees for these imports, as well as for medical and pharmaceutical products, also increased significantly over the course of 1999. The US Government also has received complaints relating to Brazil's "law of similars," including that it leads to non transparent preferences for Brazilian products in procurement bids for government and non profit hospitals and prejudices against the import of refurbished medical equipment when domestically produced "similars" exist. Implementation of such import measures continues to be poorly coordinated and not well publicized, magnifying the negative impact on US exports.

Taxes and Fees On Imports

Imports are subject to a number of taxes and fees in Brazil, which are usually paid during the customs clearance process. There are three taxes that account for the bulk of importing costs: the Import Duty (II), the Industrialized Product tax (IPI), and the Merchandise and Service Circulation tax (ICMS). In addition to these taxes, several smaller taxes and fees apply to imports; these costs are shown in the table. Note that most taxes are calculated on a cumulative basis.

Import Duty (II)
The Import duty is a federally mandated product specific tax. After the creation of the Mercosul customs union, the four member countries -- i.e., Argentina, Brazil, Paraguay and Uruguay -- adopted a single import tariff structure known as the "common external tariff" (known in Brazil as the "TEC"). While after the adoption of the TEC, Brazilian import tariff rates were reduced, they are still high in comparison to US import tariff rates. In most cases, Brazilian import duty rates range from 10 - 20 %.

Industrialized Product Tax (IPI)
The IPI is a federal tax levied on most domestic and imported manufactured products. It is assessed at the point of sale by the manufacturer or processor in the case of domestically produced goods, and at the point of customs clearance in the case of imports. The IPI tax is not considered a cost for the importer, since the value is credited to the importer. Specifically, when the product is sold to the end user, the importer debits the IPI cost.

The Government of Brazil levies the IPI rate by determining how essential the product may be for the Brazilian end-user. Generally, the IPI tax rate ranges from 0 to 15 %. In the case of imports, the tax is charged on the product's CIF value plus import duty. Often one can note that usually a relatively low import tariff rate carries a lower IPI rate. Conversely, a relatively high import tariff rate carries a correspondingly higher IPI rate. As with value-added taxes in Europe, IPI taxes on products that pass through several stages of processing can be adjusted to compensate for IPI taxes paid at each stage. Brazilian exports are exempt from the IPI tax.

Merchandise and Service Circulation Tax (ICMS)
The ICMS is a state government value-added tax applicable to both imports and domestic products. The ICMS tax on imports is assessed ad valorem on the CIF value, plus import duty, plus IPI. Although importers have to pay the ICMS to clear the imported product through Customs, it is not necessarily a cost item for the importer, because the paid value represents a credit to the importer. When the product is sold to the end-user, the importer debits the ICMS, which is included in the final price of the product and is paid by the end-user.
Effectively, the tax is paid only on the value-added, since the cost of the tax is generally passed on to the buyer in the price charged for the merchandise. The ICMS tax due to the state government by companies is based on taxes collected on sales by the company, minus the taxes paid in purchasing raw materials and intermediate goods. The ICMS tax is levied on both intrastate and interstate transactions and is assessed on every transfer or movement of merchandise. The rate varies among states: in the State of São Paulo, the rate is 18 percent. On interstate movements, the tax will be assessed at the rate applicable in the state of destination. Some sectors of the economy, such as construction services, mining, electrical energy, liquid and gaseous fuels are exempt from the ICMS tax. Most Brazilian exports are exempt.

Landed Cost – example shipped into Santos, São Paulo

Free on Board (FOB) Price of Machine	$100,000
Freight (estimated)	$2,400
Insurance (1% estimated)	$1,000
Cost Insurance Freight (CIF) Basis	*$103,400*
II of 19% on CIF	$19,646
IPI of 5% x (CIF plus II)	$6,152
ICMS of 18% x (CIF plus II plus IPI)	$23,256
PIS and Cofins Tax of 9.25% x (CIF plus II plus IPI plus ICMS) *	$14,102
Merchant Marine Tax 25% of ocean freight cost	$600
Warehouse Charge 0.65% of CIF (min $170 - max $235)	$235
Terminal Handling Charges average US$ 100 per container	$100
Custom Broker's Union 2.2% of CIF (min $71 – max $160)	$160
Custom Brokerage Fee 0.65% of of CIF (min $170 – max $450)	$450
SISCOMEX Fee	$30
Cargo Transportation Fee	$35
Bank Costs (2% of FOB estimated)	$2,000
Final Cost at Port - *a 70% increase*	$170,066

* Applied to imports starting in May 2004

Customs Regulations – Still Burdensome

In 1997 the Brazilian Government established a computerized information system to monitor imports and to facilitate customs clearance known as the Foreign Trade Integrated System (SISCOMEX). The SISCOMEX has facilitated and reduced the amount of paperwork previously required for importing into Brazil, which, however, can still be burdensome. Brazilian importers must be registered in the Foreign Trade Secretariat's (SECEX's) Export and Import Registry and receive a password given by Customs to operate the SISCOMEX. The SISCOMEX has a graphic interface for the composition of electronic import documents and transmits information to a central computer.

Customs Clearance in Brazil can be a time consuming and frustrating process, even compared with other countries in Latin America. In a report issued by ICEX (Instituto de Estudos das Operações de Comércio Exterior), the average customs clearance time in Brazil was the slowest in the Hemisphere (150 hours). Products can get caught up, for various motivations, in customs because of minor errors or emissions in paperwork.

From April – June 2004 the Customs Union conducted a work slowdown in an attempt to gain a dramatic increase in salary, which has risen only 9% in the last 10 years. For importers, the slowdown caused considerable delays. The Union notes that customs inspectors' salaries give rise to incentives for corruption and anecdotes among importers abound to confirm the widespread nature of this problem. However, the Government of Brazil notes that customs inspectors' jobs are hotly sought after and that the budget would not withstand such a dramatic salary increase.

In FTAA negotiations, Brazil and the US are working on measures to allow more rapid customs clearance. The Brazilians recognize that in most of its ports, loading and unloading as well as customs clearance need increased efficiency. To this end, they are also working on a "blue line" expedited method of clearance. However, US companies should be prepared for the fact that unloading and clearance may take substantially longer than expected.

Import Licenses

Automatic Licenses

As a general rule, Brazilian imports are subject to the automatic import license process. This procedure requires the Brazilian importer to submit information concerning each import, including description of the product as well as the harmonized tariff classification number, quantity, value of the shipment, shipping costs, etc. This information will be used for purposes of preparing the Import Declaration (locally known as the DI). Subsequently, all information is fed into the SISCOMEX. SECEX is the government agency responsible for granting import licenses.

Certain products and import operations are subject to special requirements, which should also be completed prior to the customs clearance process. For example, food products require additional approval by the Agricultural Ministry. Selected natural and synthetic rubbers require approval by the Environmental Agency (IBAMA). And a variety of product registrations may be required for asbestos, chemicals, pharmaceuticals, perfumes, cosmetics, and medical equipment.

Non-Automatic License (LI)

Whenever imports are subject to the Non-Automatic License (LI) regime, the importer must provide information concerning each shipment to Brazilian customs authority either prior to shipment or prior to customs clearance. The required information includes a description of the product as well as the harmonized tariff classification number, quantity, value of the shipment, shipping costs, etc.

Importers must seek **clearance prior to shipment** if they want to bring in products subject to special controls from SECEX or approvals from other Brazilian government agencies. Such products may include used products in general, products that enjoy import tariff reductions, and imports that do not involve payment from importer to the exporter.

Examples: samples, donations, temporary admission, psychotherapeutic drugs, products for human or veterinary research, weapons and related products, radioactive products and rare earth metal compounds, crude oil, oil derivatives or other petroleum derivatives, anti-hemophilic serum, medications with plasma and human blood, and products that may be harmful to the environment such as CFC and airplanes.

Brazil requires special licenses for sensitive items such as products for human research

Importers must seek **clearance prior to customs clearance** if they want to bring in products imported under the drawback regime or items destined for the free trade zones or the National Council for Scientific and Technological Development.

Import Documentation for Health/Pharmaceuticals

Any product that comes in contact with the human body is controlled by the Ministry of Health, including pharmaceuticals, vitamins, cosmetics and medical equipment/devices. Such products can only be imported and sold in Brazil if the foreign company establishes a local Brazilian manufacturing unit or local office or the foreign company appoints a Brazilian distributor who is authorized by the Brazilian authorities to import and distribute medical products. However, such products must be registered with the Brazilian Ministry of Health.

Export Controls

At this time, the US Government maintains no export controls specific to Brazil. Normal controls are maintained on military equipment, high-tech information systems, and equipment of a highly sensitive nature. Items on the Munitions Control list are also a controlled export to Brazil requiring a special license from the State Department or Commerce Department depending on the item. You can see the current list of export controls at the US Bureau of Industry and Security (BIS) website: http://www.bxa.doc.gov/. For additional information, please contact the US Trade Information Center (TIC) at 1-800-USA-TRADE or http://www.trade.gov/td/tic/.

Temporary Imports – Taxes Reduced

Since 2000, the Government of Brazil has made an allowance for temporary importation of products that are to be used for a predetermined time period and then re-exported. Under the program, the II and IPI are used to determine the temporary import tax. Products must be used in the manufacture of other goods and involves payment of rental or lease from the local importer to the international exporter. Examples of products falling under this program would be temporary importation of machine tools. Taxes due are proportional to the time frame the imported product will remain in Brazil, as the following example demonstrates:

CIF Price of Machine Tool	**$200,000**
II of 10% on CIF	$20,000
IPI of 5% x (CIF plus II)	$11,000
Taxes that would be owed if importation were permanent	***$31,000***
Total life span of machine tool	60 months
Time machine tool will stay in Brazil	12 months
Tax for temporary importation V=31,000 x [1-(60-12)/60] (20% of tax is owed since tool will only stay in Brazil 1/5th of its useful life)	**$6,200**

Labeling and Marking Requirements

The Brazilian Customer Protection code, in effect since September 12, 1990, requires that product labeling provide the consumer with correct, clear, precise, and easily readable information about the product's quality, quantity, composition, price, guarantee, shelf life, origin, and risks to the consumer's health and safety. Imported products should bear a Portuguese translation of this information. Since metric units are the official measuring system, products should be labeled in metric units or show a metric equivalent. The labeling requirement for genetically modified organism (GMO) must follow the same procedures as mentioned above, although GMO is currently being debated in Brazil.

The US Senate Concurrent Resolution nº 40 adopted July 30, 1953, invited US exporters to inscribe, on external shipping containers in indelible print of a suitable size. "United States of America". Although such marking is not compulsory under law, US shippers are urged to follow this procedure in publicizing American-made goods.

More information can be found regarding required and recommended labeling and marking in the USCS Brazil's report on standards. This report can be found at the following website: www.focusbrazil.org.br/ccg.

Prohibited Imports

The Brazilian Government has eliminated most import prohibitions. However, it places special controls on certain imports and does continue to prohibit the importation of others. In general, all used consumer goods are prohibited from being imported. Used capital goods are allowed only when there is no similar item produced locally. There is also specific legislation that prohibits the importation of products that the Brazilian regulatory agencies consider harmful to health, sanity, national security interest, and the environment.

Manaus Free Trade Zone

Imports of used machinery and equipment to the Manaus Free Trade Zone (FTZ) are subject to more liberal treatment. While there are 7 other FTZs established in Brazil, the Manaus installation is the only one of consequence for most US exporters. Originally established in 1967, the Manaus FTZ recently had its protections extended to 2013. The FTZ covers a 3,900 square mile region that includes the city of Manaus on the Amazon River.

Manaus's FTZ status means that goods of foreign origin may enter without customs duties charges or other Federal, State or local import taxes. In addition, IPI taxes on certain commodities and ICMS taxes on most items are not applied. With very few exceptions, imported products to be used for processing, re-exportation, or transshipment to other parts of Brazil qualify for IPI tax exemptions. If items are shipped to other parts of Brazil, the ICMS still applies, however.

The Superintendent of the Manaus Free Trade Zone (SUFRAMA) is the Manaus FTZ authority. Commercial invoices and bills of lading must have a letterhead mentioning "Free Zone of Manaus" that must be typed on them, and one of the following statements: "Zona Franca de Manaus para Consumo" (Manaus Free Zone for Consumption) or "Zona Franca de Manaus para Reexportação" (Manaus Free Zone for Re-export). As noted in the Import Licensing section of this report, importers must still obtain licenses through SISCOMEX.

Manaus FTZ importers are allowed to supply foreign goods from their stock in Manaus to other parts of the country regardless of quantity. These goods, however, are subjected to all duties assessed under normal importation. On the other hand, there is the advantage that the ICMS is reduced to only 4 percent.

Manaus's very success in using a liberal tax regime to attract industry makes it a political target for other states, particularly in the southeast of Brazil, who feel at a competitive disadvantage. There has been considerable pressure on the Government of Brazil to water down Manaus's tax advantages, and US companies considering investments in this region are follow developments carefully.

Detailed information on the Manaus FTZ can be obtained at SUFRAMA's website: www.suframa.gov.br.

Other Attempts at Fiscal Paradises

As noted, the 7 other FTZs have not succeeded in attracting investments on the scale of Manaus, which has historical relevance as a strategic outpost for 19th century rubber exports from the Amazon. In addition, 19 export processing zones (ZPEs) have been authorized, but are not in operation. Finally, various states have attempted to use creative applications of the ICMS in order to attract investment.

We recommend that US companies exercise caution with ICMS promises. The Government of Brazil has launched legislation that would harmonize the ICMS in order to reduce interstate competition for investment, and it is not clear how states' longterm promises would be treated under a change in federal legislation in this area.

In 1998 Harley-Davidson opened its first overseas manufacturing facility in the Manaus FTZ, joining such US companies as Coca-Cola, Whirlpool, and Gillette.

Resources

- USCS Brazil's reports on Top Prospects for US exporters: www.focusbrazil.org.br/ccg.
- USCS Brazil's Guide to Marketing Services: www.buyusa.gov/brazil.
- US Trade Information Center (TIC) for tariff information: http://www.ita.doc.gov/td/tic/tariff/.
- US Trade Representative's Office for information on FTAA and trade disputes: http://www.ustr.gov/Trade_Agreements/Regional/FTAA/Section_Index.html.
- Government of Brazil's customs site: http://www.receita.fazenda.gov.br/Grupo1/Aduana.asp
- Government of Brazil's SISCOMEX customs site: http://www.receita.fazenda.gov.br/aduana/siscomex/siscomex.htm

Overview

Brazil's efforts to establish uniform methods of measurement and standards began as early as 1862, when the French decimal metric system became official. Brazil was one of the first nations to adopt the new system. Along with industrial growth during the following century came the necessity to create more efficient measuring instruments to better protect the consumer. As a result, in 1961 the National Institute of Weights and Measures (INPM) was created.

In 1973, industrial production had reached a level that not only was amplifying internal markets, but also opening new avenues for the export of manufactured goods. With a focus on exports, Brazil needed to adopt qualitative and quantitative methods comparable to those used in other industrialized countries. Thus, in 1973, the National Institute of Metrology, Standardization and Industrial Quality (INMETRO) was born with the objective to improve the quality of life of all citizens and the competitiveness of all industry through the use of metrology and improved quality.

This report includes a number of Internet links where information is provided in Portuguese. When necessary, companies are advised to contact the US Commercial Service in Brazil or to procure an agent for assistance in site navigation and/or comprehension.

Organization of Standards Bodies in Brazil

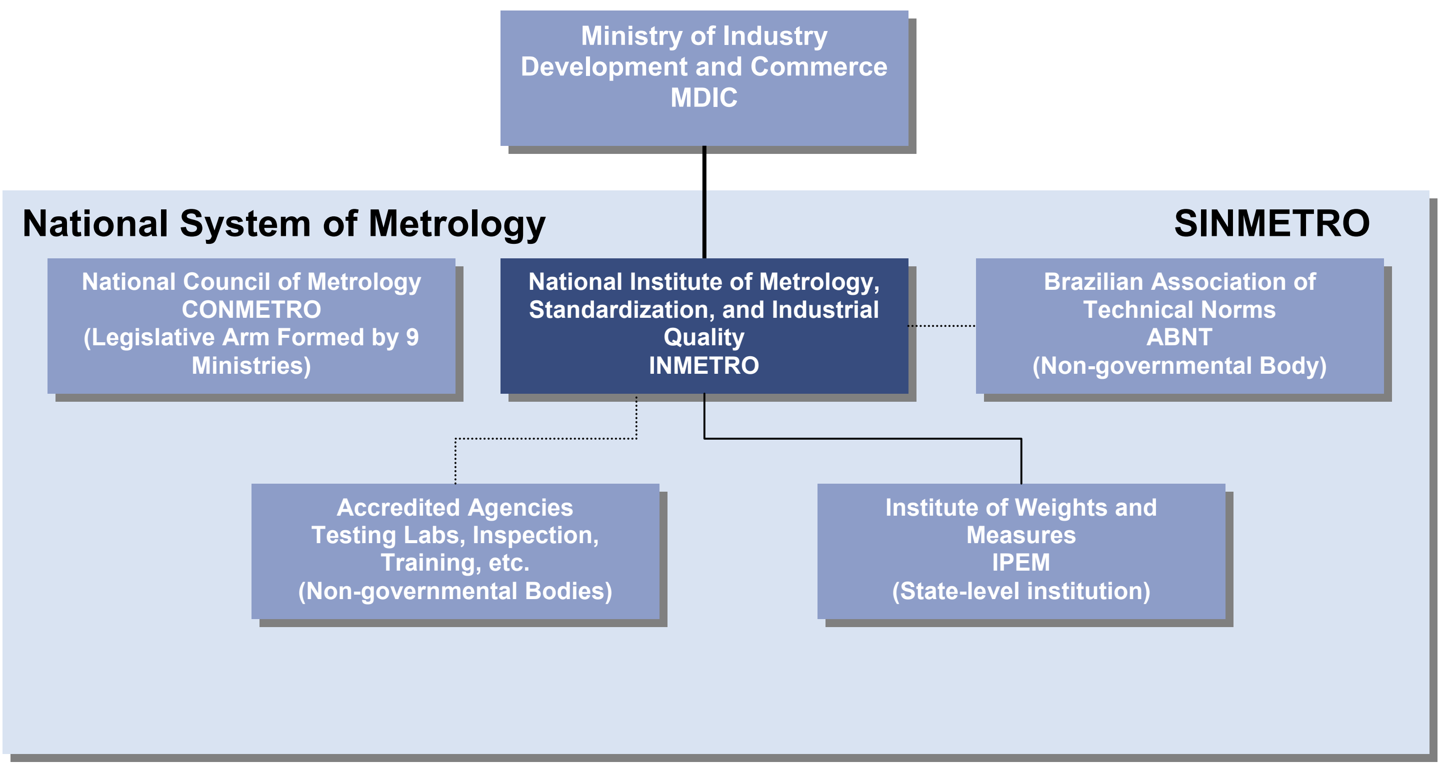
In 1973, Brazilian Federal law established a National System of Metrology, Standardization and Industrial Quality, SINMETRO, which is comprised of CONMETRO, INMETRO, ABNT, IPEM and accredited labs (*see chart below*). INMETRO serves as the executive chair of SINMETRO.

Standards and Technical Regulations

Under SINMETRO, the development of voluntary standards is the responsibility of the Brazilian Association of Technical Standards (ABNT). ABNT is a private, non-governmental, not-for-profit organization that develops standards across all industries in Brazil. ABNT represents the country in relevant international and regional forums and acts as a certification body. Brazilian standards are developed either through ABNT's own technical committees or through Sectoral Standardization Bodies (ONS), which it accredits. ABNT annually publishes a National Standardization Plan, containing all of the titles it plans to develop throughout the year. It can only be accessed by a member of ABNT or by contacting the corresponding Brazilian Committee (ABNT/CB): www.abnt.org.br/normal_comite.htm. Proposed voluntary standards that are open for public comments can be accessed through: www.abnt.org.br/normal_consulpub.htm.

Voluntary standards can be adopted as mandatory technical regulations by any of the 9 Ministries. Alternatively, these Ministries may develop their own technical regulations. Brazil's technical regulations are available through INMETRO's website. This searchable website provides access to both proposed and final technical regulations: http://www.inmetro.gov.br/rtac/.

Brazil is a signatory of the Agreement on Technical Barriers to Trade (TBT) of the World Trade Organization (WTO), affirming its obligations relative to standards, technical regulations, and conformity assessment procedures. Under the agreement, INMETRO was established as the national inquiry point for information on standards-related issues. Additional information about technical barriers to trade and a formal system for inquiries is available through INMETRO at the following website: http://www.inmetro.gov.br/barreirastecnicas/index.asp.



Creating Standards – First Analog, now Digital TV?

Brazil is considered a standards developer, as evidenced by the country's current efforts on the digital television (DTV) technical regulation. While a number of countries in the Western Hemisphere are adopting the US standard (ATSC), Brazil is spending millions of dollars in studying various options ranging from the adoption of one of the three existing DTV standards (U.S., European, Japanese), the development of its own technical regulation, or some combination of these. A uniform DTV standard throughout the hemisphere will result in lower consumer cost for all. The US Government has voiced concern that Brazil's DTV will not be compatible with ATSC and is continuing to work on this issue. There is cause for this concern; Brazil developed the Pal-M standard for television, which is used by no other country in the world and is incompatible with PAL or NTSC. These examples notwithstanding, Brazil's choices in standards and technical regulations often influence the decisions of its neighbors.

Conformity Assessment

Conformity assessment includes all activities needed in order to demonstrate compliance with specified requirements relating to a technical regulation or voluntary standard. In Brazil, the conformity assessment system follows the ISO guidelines. Conformity assessment includes test and calibration laboratories, product certification bodies, accreditation bodies, inspection and verification units, quality system registrars, and others. Conformity assessment can be voluntary or mandatory (done through a legal instrument to protect the consumer on issues related to life, health and environment). Interested U.S. parties can be accredited by INMETRO to perform conformity assessment activities.

Test and Calibration Laboratories

INMETRO accredits test and calibration laboratories authorized to operate in Brazil.

The following link provides information on Brazil's accredited calibration laboratories: www.inmetro.gov.br/laboratorios/rbc/

One can search for accredited test laboratories at the following website: http://www.inmetro.gov.br/laboratorios/rble/

Product Certification

Mandatory Testing and Mandatory Product Certification

For regulated products, the relevant government agency generally requires that entities that engage in product testing and mandatory certification be accredited by INMETRO. Generally, testing must be performed in-country unless the necessary capability does not exist in Brazil.

INMETRO is a signatory to the mutual recognition arrangement (MRA) of the International Laboratory Accreditation Cooperation (ILAC), which can facilitate acceptance of test results from US laboratories that are accredited by US organizations who are also signatories. For a complete list of MRAs to which INMETRO belongs, visit the following website: http://www.inmetro.gov.br/english/international/mutual.asp.

For a complete list of products subject to mandatory product certification, visit the following website:
http://www.inmetro.gov.br/qualidade/prodCompulsorios.asp.

Non-Mandatory Testing and Product Certification

There is no legal mandate to date to retest non-regulated products that have been approved in their country of origin. For non-regulated products, some US marks and product certification may be accepted. As with all voluntary standards, any certification that may be required in non-regulated sectors is a contractual matter to be decided between the buyer and the seller. Market forces and preferences often lead to the need for a specific certification.

To facilitate the acceptance of US products in the Brazilian market, agreements between US and local certifiers and testing houses are encouraged. This could provide recognition of existing certifications. Also, there is no impediment for US certification organizations to be established and accredited in Brazil.

If your product has been certified in the US or Europe, it probably will not need to be re-certified (see MRA above). If your product is not certified, please refer to the mandatory product certification link.

A list of certified products (both mandatory and voluntary) in Brazil is available at the following website:
http://www.inmetro.gov.br/prodcert/Produtos/busca.asp

Accreditation and Quality System Registration

The General Coordination for Accreditation (CGCRE) of INMETRO is responsible for accreditation of the certification bodies, quality system registrars, inspection bodies, product verification and training bodies, as well as testing and calibration laboratories. Information about accreditation requirements and currently accredited bodies is available at the following site:
http://www.inmetro.gov.br/credenciamento/index.asp.

Labeling/Marking Requirements

The Brazilian Customer Protection code, in effect since September 12, 1990, requires that product labeling provide the consumer with correct, clear, precise, and easily readable information about the product's quality, quantity, composition, price, guarantee, shelf life, origin, and risks to the consumer's health and safety. Imported products should bear a Portuguese translation of this information. Products should be labeled using the official measurement of metric units or show a metric equivalent.

The US Senate Concurrent Resolution nº 40 adopted July 30, 1953, invites US exporters to inscribe, on external shipping containers and in indelible print of a suitable size, "United States of America." Although such marking is not compulsory under law, US shippers are urged to follow this procedure in publicizing US-made goods.

Other Comments

Brazil is a member of the Mercosul trading block, which has its own regional standards organization that issues and harmonizes standards. Technical committees write and recommend standards in selected areas. Each country must ratify the standard before they are adopted in that country. A number of standards have already been adopted as Mercosul standards. Adopted and proposed Mercosul standards are listed on Mercosul's website: www.amn.org.br. The Executive Secretariat of the Mercosul Standards Organization is located in São Paulo, Brazil.

US exporters to Brazil are encouraged to become actively involved in the process to develop standards and technical regulations.

Resources

- For more information about standards issues in Brazil, please contact USCS Brazil's Standards Consul Ivan Rios: Ivan.Rios@mail.doc.gov.
- For more reports on standards in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- American Embassy in Brasília: http://www.embaixadaamericana.org.br
- ABNT - Associação Brasileira de Normas Técnicas: http://www.abnt.org.br
- AMN - Asociacion Mercosul de Normalizacion: http://amn.org.br
- Brazil's Ministry of Development and Commerce: http://www.desenvolvimento.gov.br/

For information on the WTO-TBT inquiry point, contact:

- INMETRO – Instituto Nacional de Metrologia, Normalização e Qualidade Industrial: http://www.inmetro.gov.br

For information in the U.S., contact:

- National Center for Standards and Certification Information (NCSCI), National Institute of Standards and Technology (NIST): http://www.nist.gov/ncsci
- American National Standards Institute (ANSI): http://www.ansi.org

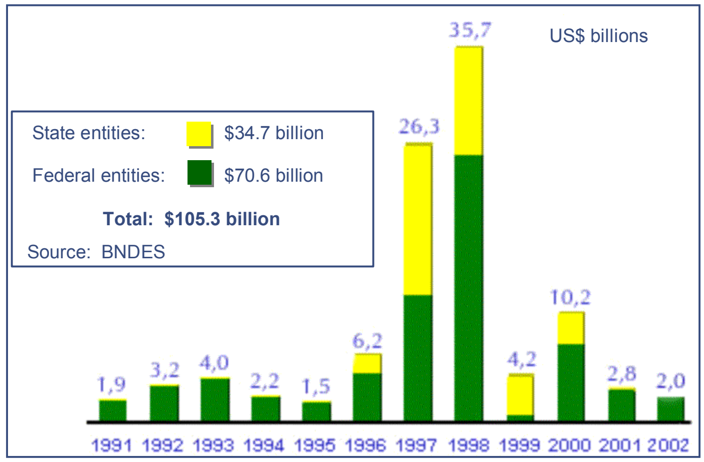
Information resources on labeling:

- IPEM – Institute of Weights and Measures: www.ipem.sp.gov.br
- CVS – Center for Sanitation Vigilance: www.cvs.saude.sp.gov.br

Overview

With one of the world's largest and most diversified economies, Brazil represents an attractive opportunity for US companies. The US enjoys a strong reputation in a variety of sectors as Brazil's largest single trading partner. This report addresses **investment climate** issues that US companies interested in Brazil should consider. Brazil can be a challenge for US investors, although the situation has improved considerably in the last 10 years.

The US Commercial Service (USCS) has a team of sector experts who are dedicated to helping US companies do business in Brazil. To see if we have published a top prospects report on your sector, please click on the following link: www.focusbrazil.org.br/ccg. If you do not see a report for your product, or if you want to investigate opportunities further, consider contacting us directly to find out how we can help you increase business in Brazil.



In the 1990's Brazil embarked on the world's largest privatization drive, selling off more than US$ 100 billion worth of assets. Since 2002, however, privatization has virtually stopped.

Openness to Foreign Investment

Brazil knows that achieving sustained, rapid growth depends on foreign investment and has lifted many restrictions in recent years to encourage such investment. The 1962 Foreign Capital law and subsequent amendments govern most foreign investment. Foreign investors have been permitted to invest in the Brazilian stock market since 1991. The Brazilian Congress approved constitutional amendments in 1995 to eliminate the distinction between foreign and national capital. New rules, which liberalized considerably foreign investment in equities and put foreign investors essentially on an equal footing with Brazilians, took effect in 2000. During the high point of the privatization program, Brazil was the second largest destination for foreign investment among emerging markets, with a peak inflow of $32.8 billion in 2000; the country remains a leading investment destination.

Constitutional amendments passed in 1995 opened formerly closed sectors, such as petroleum, telecommunications, mining, power generation, and internal transport to foreign investors. In 2002, Congress approved a constitutional amendment permitting foreign investors to own up to 30% of media companies. Restrictions remain on foreign investment in a limited number of sectors: nuclear energy, health services, media, rural property, fishing, mail and telegraph, aviation and aerospace. In December 2004, the Congress approved and the President signed, the Public-Private Investment (PPP) bill that promotes joint ventures in infrastructure investment. The law creates a federal guarantee fund to protect investors in federal PPPs. In almost all cases, at least 30% of project must be private investment funds.

New or expanded foreign investment in the banking sector is technically forbidden by the Constitution of 1988. However, since 1995 entry or expansion has been approved on a case-by-case basis; the vast majority of requests for entry or expansion have been granted. Foreign banks currently account for one third of the total net worth of the banking system and 27% of total banking system assets. Since 1996, the insurance sector has been open to foreign investors, and most major US firms are already represented, mainly via joint venture arrangements. Brazil maintains a government-owned reinsurance monopoly, the Brazil Reinsurance Institute (IRB). Plans to privatize the IRB were delayed by court challenges. While the Supreme Court decided in September 2004 that the privatization was constitutional, the Lula administration has not pursued privatization of IRB or proposed legislation that would permit new entrants in the reinsurance sector.

In 1991, Brazil embarked on the world's largest privatization drive, selling off more than US$ 100 billion worth of assets. Since 2002, however, privatization has virtually stopped. Through 2004, Brazil realized $87.5 billion in sales revenue and another $18.1 billion in debt transfer as a result of the national privatization program. Foreign investment accounted for $42 billion, or 48% of the total. One third of the foreign investment was from the US ($14 billion). With the exception of power-generation sector, most of the largest state enterprises have been sold, and privatization activity has died down since 2001: in 2002, it totaled only US$ 2 billion; in 2003 there were no privatizations; and through the first half of 2004 the sole new privatization was that of the State Bank of Maranhao, for US$ 26.6 million.

The privatization of the energy sector also was halted. In December 2004, Brazil conducted its first auction of long term energy supply contracts under a new energy regulatory framework advanced by the Lula administration in which the federal government now plays a more central role in establishing energy demand forecasts and energy prices. Analysts, companies and regulators have expressed concern that the more centralized government role and low auction prices will inhibit private investments.

During the early 1990s, foreign direct investment (FDI) was a crucial source of financing for Brazil's balance of payments. However, since 2001 the trade balance has improved sharply, helping produce actual current-account surpluses in 2003 and 2004. This trend has enabled Brazil easily to weather the steep continuing decline of FDI, from $ 22.5 billion in 2001 to $16.6 billion in 2002 and just $10.1 billion in 2003. FDI in 2004 is estimated to have increased to about $16 billion.

Brazil has undertaken a significant reduction in trade barriers in recent years. In 2004, Brazil's average Normal Trade Relations (NTR) tariff was 10.8%, versus 32% percent in 1990, according to the Foreign Trade Secretariat of the Ministry of Development, Industry and Foreign Trade.

Conversion and Transfer Policies

There are few restrictions on converting or transferring funds associated with an investment. Foreign investors may freely convert Brazilian currency in the unified foreign exchange market wherein buy-sell rates are determined by market forces. All foreign exchange transactions, including identifying data, must be reported to the Central Bank. Foreign-exchange transactions on the current account have been fully liberalized in practice, and in 2000 the Central Bank greatly simplified requirements for capital-account transactions.

Foreigners investing in Brazil must register their investment with the Central Bank within 30 days of the inflow of resources to Brazil. Registration is done electronically. Investments involving royalties and technology transfer must be registered with the patent office (INPI) as well. Investors must have a representative in Brazil and register with the Brazilian securities commission (CVM). Subsequent transactions, such as reinvestment of profits, may also have to be registered with the Central Bank.

Foreign investors, upon registering their investment with the Central Bank, are able to remit dividends, capital (including capital gains), and, if applicable, royalties. Remittances must also be registered with the Central Bank. Dividends cannot exceed corporate profits. The remittance transaction may be carried out at any bank by documenting the source of the transaction (evidence of profit or sale of assets) and showing that applicable taxes have been paid.

Foreign loans obtained abroad no longer require advance approval by the Central Bank, provided the recipient is not a government entity (loans to government entities still require prior approval). Upon concluding the transaction, the loan must be registered electronically with the Central Bank. In most instances, the registration is completed automatically. Automatic registration is not issued when the costs of the operation are "not compatible with normal market conditions and practices." In such instances, the loan is reviewed by the Central Bank; if the Central Bank does not respond within five working days, the registration is considered complete.

Interest and amortization payments specified in the loan contract can be made without additional approval from the Central Bank. That also applies to early payments, if there is a provision in the contract for early payment. If the contract does not have such a provision, early payment requires prior approval by the Central Bank. According to Central Bank officials, this requirement is to ensure accurate records of Brazil's stock of debt, and all requests have been approved since the new guidelines were issued in 2000.

In addition to payments associated with registered loans and investments, there are other approved procedures for transferring funds abroad that in practice can be used for a wide range of purposes.

Capital-gain remittances are subject to a 15 percent income withholding tax. Repatriation of an initial investment is exempt from income tax. Beginning in 2000, lease payments were assessed a 15 percent withholding tax. Remittances related to technology transfers are not subject to the tax on credit, foreign exchange, and insurance (IOF), although they are subject to a 15% withholding tax and an extra 10% Contribution of Intervention in the Economic Domain (CIDE). Loans with terms of 90 days or less must pay the IOF (5%), while those of longer maturity do not. In 2002, Brazil eliminated the application of the financial transaction tax (CPMF), which is currently 0.38%, to stock market transactions. Brazil has no double taxation treaty with the US, but does have such treaties with a number of other countries, including, among others, Germany, Japan, France, Italy, the Netherlands, Canada and Argentina.

Expropriation and Compensation

There have been no expropriatory actions in Brazil in the recent past nor any signs that the current Government is contemplating such actions. In 1999, a state government sought and obtained a court ruling canceling contractual obligations, signed by the prior state government, associated with the partial privatization of a state electricity company. The U.S. investors are appealing the court ruling. In 2003, a newly inaugurated government in another state refused to honor a number of contracts the previous state government had signed with a range of Brazilian and foreign investors; the parties involved continue to negotiate these contract disputes and have had recourse to local courts. Some claims regarding land expropriations by state agencies many years ago have been judged by courts in US citizens' favor. There remain individuals who have not yet been compensated because the states have appealed these decisions.

Dispute Settlement

Brazil is not a member of the International Center for the Settlement of Investment Disputes (ICSID - also known as the Washington Convention), but it is a party to the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards. In August 1995, Brazil ratified the 1975 Interamerican Convention on International Commercial Arbitration, as well as the 1979 Interamerican Convention on Extraterritorial Validity of Foreign Judgments and Arbitral Awards.

Arbitration clauses in contracts are not automatically enforceable. Foreign arbitral awards require confirmation by a court of the country in which the award was rendered and by the Brazilian Supreme Court. This confirmation is procedural in nature, and not meant to consider the merits of the case. Confirmation by the Supreme Court allows the claimant to enforce the arbitral award through Brazilian courts. The Supreme Court has confirmed foreign arbitral awards between two private parties in multiple cases.

There is some legal controversy in Brazil over binding foreign arbitration between foreign investors and state entities. Some

Brazilian legal interpretations claim this is prohibited under Brazilian law on the grounds that it infringes the sovereign rights of the state. The Federal Government nevertheless maintains, in the absence of a definitive judicial ruling on the issue, that it can agree to binding foreign arbitration and routinely enters into contracts that allow for such arbitration.

This legal uncertainty, as well as congressional politics, has held up ratification of Bilateral Investment Agreements that Brazil has signed with about fourteen countries (not including the US), which call for arbitration by either ICSID or a panel set up under the United Nations Rules for International Commercial Law. Given the doubts about the applicability under Brazilian law of these international arbitration provisions to Brazilian government entities, the government in December 2003 withdrew the agreements from consideration for Senate ratification.

Brazil has a functional commercial code that governs most aspects of commercial association, except for corporations formed for the provision of professional services, which are governed by the civil code. In December 2004, Congress approved an overhaul of the bankruptcy code. The reforms create a system, modeled on Chapter 11 of the U.S. bankruptcy code, which allows a company in financial straits to negotiate a restructuring with its creditors outside of the courts. In the event a company does fail despite restructuring efforts, the reforms give creditors a better chance at recovering their debts. An overburdened court system is available for enforcing property rights but decisions can take years. Judicial reform measures enacted in December 2004 streamline administrative procedures, and, by introducing the concept of binding precedent, should, over time, make judicial decisions more predictable.

Political Violence (As It May Affect Investments)

Brazil's major urban centers suffer from significant drug trafficking-related and organized crime-related violence. Poverty, gangs, drugs and a lack of government resources have combined to erode state authority in some urban slums (favelas). There have been episodes of drug-related violence prompting major police crackdowns, particularly in Rio de Janeiro. Police have been implicated in significant human rights violations, including extra-judicial killings, abuse of prisoners, and other criminal activity. Since mid-2003 the Landless Workers' Movement (MST) has continued its aggressive invasions of a variety of agricultural interests, both domestic and foreign, in its campaign to force redistribution of land. In rural areas, powerful landowners, sometimes aided by police or private security agents, have used violence to settle land disputes, including but not limited to those with the MST or indigenous peoples, and to influence the local judiciary.

Performance Requirements and Incentives

Geographic preferences consist of tax benefits for investment in less developed parts of the country, such as the Northeast and the Amazon, with equal application to foreign and domestic investors. These benefits have succeeded in attracting some major foreign plants to, for example, the Manaus Free Trade Zone, but most foreign investment remains concentrated in the more industrialized southern part of Brazil. Individual states have sought to attract investment by offering ad hoc tax benefits and infrastructure support to specific companies. Some municipalities provide land on favorable terms for industrial development.

In firms employing three or more persons, Brazilian nationals must constitute at least two-thirds of all employees and receive at least two-thirds of total payroll. Foreign specialists in fields where Brazilians are unavailable are not counted in calculating the one-third permitted for non-Brazilians.

The Special Agency for Industrial Financing (FINAME) of the National Bank for Economic and Social Development (BNDES) provides financing for purchases by Brazilian firms of Brazilian-made machinery and equipment -- capital goods with a high level of domestic content. The government also has a series of smaller programs designed to assist small and medium sized businesses export.

Right to Private Ownership and Establishment

Foreign and domestic private entities may establish, own, and dispose of business enterprises.

Protection of Intellectual Property Rights (IPR)

Please see also our separate report on IPR, available on www.focusbrazil.org.br/ccg.

Brazil is a signatory to the GATT Uruguay Round Accords, including the Trade Related Aspects of Intellectual Property (TRIPS) Agreement, signed in April 1994. Brazil is a member of the World Intellectual Property Organization (WIPO) and a signatory of the Bern Convention on artistic property, the Washington Patent Cooperation Treaty, and the Paris Convention on Protection of Intellectual Property. In August 1992, Brazil removed its reservations and fully accepted the Stockholm revision of the Paris Convention. Brazil has not yet ratified the WIPO Treaties on Copyright and Performances and Phonograms. As a result of continuing problems regarding protection of intellectual property rights, principally in enforcement, Brazil remains on the Special 301 priority watch list following the early 2004 review.

Patents
In most respects, Brazil's 1996 Industrial Property law brings its patent and trademark regime up to the international standards specified in the TRIPS Agreement. However, the law includes compulsory licensing and local working requirements which may be TRIPS-inconsistent. The law would theoretically permit the grant of a compulsory license if a patent owner has failed to "work" (i.e. locally manufacture) the patented invention in Brazil within three years of issuance. Brazil has agreed to consult with the US before any potential invocation of the local working requirement; to date, Brazil has yet to grant a compulsory license.

Trademarks
The fraudulent use of internationally "famous" marks has been a problem in Brazil. However, the Industrial Property Law has provided improvements in Brazil's trademark regime, including better protection for internationally known trademarks. Some foreign firms have been successful in court actions against trademark infringement. Trademark licensing agreements

must be registered with the National Institute of Industrial Property (INPI) to be enforceable; however, the failure to register licensing agreements will no longer result in cancellation of trademark registration for non-use.

Copyrights
Brazil's copyright law generally conforms to world-class standards. Likewise, its software copyright protection law contains provisions that introduce a rental right and an increase in the term of protection to 50 years. Despite passage of these copyright laws in 1998, widespread piracy of copyright and trademark material remains a problem. Government efforts to stem the flow of pirated goods through its ports and across the border with Paraguay have, to date, been largely unsuccessful. The US private sector estimates that trade losses from copyright infringements (including from piracy of videocassettes sound recordings and musical compositions, books and computer software) were $907 million in 2003. A review of Brazil's trade benefits under the Generalized System of Preferences, prompted by a 2001 petition from the International Intellectual Property Rights Association, has been extended to March 31, 2005.

The Brazilian Congress passed a law in July 2003 that increased minimum prison sentences for copyright violations and established procedures for making arrests and destroying confiscated products. However, the heftier sentences have not acted as effective deterrents due to the continued ability of judges to commute many of the prison terms to fines. A much-publicized Special Congressional Inquiry into IPR piracy completed its report in June 2004, amidst considerable sensation after a reputed piracy kingpin was arrested on charges of trying to bribe the chairman of the inquiry commission. In November 2004, the government created a high-level, inter-ministerial, National Council to Combat Piracy and Intellectual Property Crimes. The Council is slated to develop a national plan for combating piracy and smuggling in early 2005.

Integrated Circuit Layout Designs
A government-drafted bill to provide protection for the layout design of integrated circuits (computer mask works) was introduced in the Brazilian Congress in April 1996. The draft law was still under discussion in 2004. However, the Government's Industrial Policy measures announced in early 2004 prioritize passage of this bill to stimulate innovation in local production.

Regulatory System (as it pertains to investments)

Please see also our separate report on Trade Regulations and Standards (as they pertain to US exports to Brazil), available on www.focusbrazil.org.br/ccg.

Although some improvements have been made, the Brazilian legal and procedural system is complex and overburdened. State courts in particular can be subject to political influence. The central government has historically exercised considerable control over private business through extensive and frequently changing regulations. The bureaucracy has broad discretionary authority.

Taxes are numerous and burdensome, but do not discriminate between foreign and domestic firms, although in a few instances there have been complaints that the value-added tax collected by individual states (ICMS) is set to favor local companies. Taxes on commercial and financial transactions are particularly burdensome, and businesses complain that these taxes hinder international competitiveness of Brazilian products. Brazil has separate value-added tax systems run by the federal and each state government. The administration has made some recent efforts at tax reform, including the conversion of invoice taxes to VATs at the federal level in 2003 and 2004. A 2004 measure reduces taxes paid on long term investments. A measure to simplify and harmonize the state-level VATs (which vary from state to state and product by product) was proposed but did not pass in 2003; it may be taken up again in 2005.

Regulatory agencies for sectors such as telecommunications, energy and transportation are a relatively young phenomenon in Brazil. ANATEL, the country's telecommunication agency, handles licensing and assigns bandwidth. The National Petroleum Agency (ANP) is commended by the industry for its fair handling of auctions of oil exploration blocks and its willingness to assist industry in seeking to simplify regulatory procedures such as environmental licensing. Conversely, in the electric power sector, many companies have complained about the high level of regulatory risk, for example the tariff review process and the implementation of the Brazil's new energy policy. The federal government in 2003 passed legislation setting fixed three-year terms for directors of the regulatory agencies. New legislation to further clarify the roles and responsibilities of the regulatory agencies and consolidate into one the multiple laws governing each separate regulator currently is being considered by the Congress.

Bilateral Investment Agreements (BITs)

Brazil has signed Bilateral Investment Agreements (BITs) with fourteen countries. There are two Mercosul investment-related agreements: the Buenos Aires Protocol ("extra-bloc") and the Colonia Protocol ("intra-bloc"); the latter has not been signed by Brazil. Seven of the bilateral investment treaties have been sent to the Brazilian Congress, but have not been ratified. All of these treaties pending ratification were withdrawn from Senate consideration by the Executive in late 2003. The Executive cited the need for further review of the treaties so as to avoid potential juridical conflicts. At issue are the international arbitration clauses of these treaties, which may not be binding on Brazilian government agencies under Brazilian law. The US signed an Investment Warranty Treaty with Brazil in 1965 (OPIC). The US and Brazil currently have no plans to discuss a BIT.

OPIC and Other Investment Insurance Programs

Please see also our separate report on Project Finance, available on www.focusbrazil.org.br/ccg.

Programs of the Overseas Private Investment Corporation (OPIC) are fully available, and activity has increased in recent years. The size of OPIC's exposure in Brazil may occasionally limit its capacity for new coverage. For more information on OPIC, please go to http://www.opic.gov/.

Brazil became a member of the Multilateral Investment Guarantee Agency in 1992.

Capital Outflow Policy

There are few restrictions on converting or transferring funds associated with an investment. However, the Central Bank has broad administrative discretion in regulating remittances, which in the past has created problems for foreign investors. At this time, foreign investors may freely convert Brazilian currency at the "commercial" rate. The Central Bank is working on a new regulatory regime for capital flows to simplify bureaucratic requirements while retaining necessary reporting requirements.

There has been a relaxation since 1991 of the restrictions on the remittances of royalty payments for patent and trademark use between subsidiaries established in Brazil and the parent office headquartered overseas and on remittances of franchise contract royalties. A 1992 INPI resolution simplified procedures and, in particular, eliminated a number of requirements (but not all) concerning technology transfer agreements. No royalties or other fees may be transferred between related companies for the use of software.

Brazil's Capital Flows 1995 - 2003

US$ billions	1995	1996	1997	1998	1999	2000	2001	2002	2003
Net FDI	**4.4**	**10.8**	**19.0**	**28.9**	**28.6**	**32.8**	**22.5**	**16.6**	**10.1**
Inflow	6.4	12.0	22.1	35.0	36.3	40.3	30.0	26.5	19.2
Outflow	-2.0	-1.2	-3.1	-6.1	-7.7	-7.5	-7.6	-9.9	-9.1
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Net Portolio Investment	**10.4**	**22.0**	**10.9**	**18.6**	**3.5**	**8.7**	**0.9**	**-4.8**	**5.1**
Inflow	36.5	45.5	60.2	59.7	38.9	38.8	29.5	18.4	27.3
Outflow	-26.1	-23.5	-49.3	-41.2	-35.3	-30.2	-28.6	-23.2	-22.2
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NET TOTAL	**14.8**	**32.8**	**29.9**	**47.5**	**32.1**	**41.5**	**23.4**	**11.8**	**15.2**
Inflow	42.9	57.5	82.3	94.7	75.2	79.1	59.5	44.9	46.5
Outflow	-28.1	-24.7	-52.4	-47.3	-43.0	-37.7	-36.2	-33.1	-31.3

Source: Central Bank of Brazil; balance of payments data.
Notes: **Portfolio Investment** includes equity and bonds.
Net Total does **not** include "other foreign investment," such as supplier credit IMF and international organizations.

Employer Federations Play a Significant Role

Investors should be aware that employer federations, supported by mandatory fees based on payroll size, play a significant role in both public policy and labor relations. Each state has its own federation, which reports to CNI (National Confederation of Industries), headquartered in Brasilia.

Labor

The Brazilian labor force comprises nearly 84 million workers in a wide range of occupations and industries. Nearly half of the labor force is employed in the service sector, roughly a quarter in agriculture, and the retail and manufacturing sectors combine to employ another quarter. The participation of women, who now account for over 40 percent of the labor force, continues to grow. The labor market has a high rate of informal sector employment; most sources estimate that at least half of all workers are not formally registered, pay no income taxes, and do not enjoy full protection under the law. About a quarter of all workers are self-employed.

Unemployment – significant
The Brazilian Institute of Geography and Statistics (IBGE) calculates an average unemployment rate for the country based on data collected monthly in Brazil's six largest metropolitan areas. According to this survey, the unemployment rate in November 2004 was 10.6%. This average masks some significant variation, from a high of 15.9% in Salvador to a low of 7.8% in Porto Alegre.

Real wages halt decline, disparities significant
Real wages in 2004 halted an almost decade long slide. Real wages were up 2.6% in November 2004 over November 2003. The average monthly wage in Brazil's six largest cities was approximately 905 Reals (approximately $332) in November 2004, and the minimum monthly wage was raised from 240 Reals ($80) to 260 Reals ($87) in April 2004. These averages gloss over some stark wage inequalities, as the wealthiest 50% of the Brazilian population earn nearly 90 percent of the total income. Earnings also vary significantly by region and industry. The typical industrial worker in São Paulo, for example, earns about three times as much as the average retail worker in the northeastern state of Bahia.

Differences in earnings are caused in part by the regional disparity in educational attainment and in the availability of skilled workers. According to a 2002 survey by IBGE, 60 percent of the population has fewer than 8 years of schooling, with this number reaching 45 percent in the Southeast (including Rio and São Paulo) and 70 percent in the Northeast (including Recife and Salvador). Illiteracy rates also exhibit regional disparities. The IBGE reports that about 11 percent of the population is illiterate, with 7 percent illiteracy in the Southeast and 21 percent in the Northeast.

Unions play a significant role
Labor unions, especially in sectors such as metalworking and banking, tend to be well-organized and aggressive in defending wages and working conditions. In more remote areas with smaller local unions, however, unions tend to be less effective. Union members account for approximately 12 percent of the workforce, but unions represent more than twice this number in collective bargaining. Unions, which are funded largely by a mandatory tax equivalent to one day's wages per year, are obliged to represent all formal sector workers in a professional category and geographical area, regardless of membership status.

The Ministry of Labor estimates that there are over 16,000 labor unions in Brazil, but Ministry officials note that these figures are inexact. Local unions often associate with state federations and national confederations in their professional category. In addition, four major labor federations, known as "centrals," have emerged: the Workers' Unitary Central (CUT), the Union Force (Forca Sindical – FS), the Workers' General Confederation (CGT), and the Social Democratic Union (SDS). Labor unions channel much of the political activity of the labor movement. They also organize strikes and salary campaigns involving multiple professional categories and represent workers in many governmental and tripartite councils. While some labor organizations and their leadership operate independently of the government and of political parties, others are viewed as closely associated with political parties.

Extensive regulation, slow legal system

The labor code is highly detailed and relatively generous; formal sector workers are guaranteed 30 days of annual leave, an annual bonus equal to one month's salary, and severance pay in the case of dismissal without cause. Brazil also has a system of labor courts that are charged with resolving routine cases involving unfair dismissal, working conditions, salary disputes, and other grievances. Currently, over 2.5 million cases languish in the labor court system, where they may remain unresolved for four or five years. The Brazilian government is attempting to reduce this backlog and increase the efficiency of the labor courts through recent initiatives to expedite legal procedures and increase the number of claims that are resolved before reaching the courts.

Labor courts have the power to impose an agreement on employers and unions if negotiations break down and either side appeals to the court system. As a result, labor courts routinely are called upon to determine wages and working conditions in industries across the country. The system is tantamount to compulsory arbitration and does not encourage collective bargaining. In recent years, however, both labor and management have become more flexible and collective bargaining has assumed greater relevance. The Inter-Union Department of Socioeconomic Studies and Statistics (DIEESE) no longer collects data on the number of strikes each month. Strikes have been a frequent occurrence, however, particularly among public sector unions. During 2004, federal police, health workers, social security workers, university staff, and customs officers were out on strike.

Major Foreign Investors

According to the Central Bank's most recent foreign-capital census (December 2000), the US was the largest single foreign investor in Brazil followed by Spain, Netherlands, France, Germany and Portugal. Investment from the Cayman Islands began growing rapidly in 1995 and is thought to represent mainly repatriation of Brazilian capital entering the country as foreign investment and, to a lesser extent, investment activity by other national groups. Investment from Spain and Portugal surged beginning in 1998 due to involvement in telecom privatizations and greatly increased investment in the banking sector by Spain.

The stock of direct foreign investment in Brazil stood at $103 billion as of December 2000, the most recent year for which detailed data is available. Of this, the US had the largest share at about $24.5 billion (24%). Spain had 11.9% of the total ($12.2 billion) and The Netherlands 10.7% ($11.0 billion). Investment inflows since 2000 (not net of capital repatriation or depreciation) have amounted to about $65 billion.

Four US companies - GM, Bunge, Cargill and IBM - are among the top twenty domestic firms. Six of the top ten importing firms in 2003 were foreign: Nokia, Motorola, Bunge, Volkswagen, Ford Motor Co. and DaimlerChrysler. Five of the top ten exporters -- Bunge, Volkswagen, Cargill, General Motors and Ford -- represented foreign investment.

Efficient Capital Markets and Portfolio Investment

Banking shakeout results in improved system

The Brazilian financial sector is large and sophisticated, in part a legacy of the high inflation period when good financial management was critical to financial survival. Despite current moderate inflation rates, bank-lending spreads remain extremely high due to taxation, repayment risk, lack of judicial enforcement of contracts, high mandatory reserve requirements and administrative overhead.

Brazil's Ten Largest Banks

US$ billions as of March 2004	Assets	Ownership
Banco do Brasil	$79.4	Federal Government
Federal Savings Bank (Caixa Economica)	$54.5	Federal Government
BNDES	$54.1	Federal Government
Bradesco	$45.3	Private Brazilian
Itaú	$40.6	Private Brazilian
Unibanco	$22.3	Private Brazilian
Santander Banespa	$21.6	Private Spanish
ABN Amro	$18.7	Private Dutch
Safra	$12.3	Private Brazilian
HSBC	$10.4	Private UK

Source: Central Bank of Brazil

Brazilian banks have weathered a difficult period of consolidation and streamlining over the last decade. The elimination of high inflation in the mid-1990s, and with it the disappearance of so-called "float income," led to liquidity problems among many banks. A series of failures, mergers, and acquisitions took place in 1996 and 1997; three of the country's ten largest banks failed and were taken over by other banks, and some 20 smaller banks were liquidated. Today, the financial sector is fairly concentrated, with the 10 largest institutions accounting for over 65% of financial sector assets. Lending by these institutions is likewise focused on the largest companies, leaving small and medium-sized companies underserved. The surviving banks have returned to profitability; the largest banks attained record profits in 2002 and 2003 despite the weak economy.

Most government-owned banks, in particular those that were owned by state governments, have been privatized. These insolvent institutions were taken over by the federal government, liquidated, privatized, or transformed into development agencies. Three federally owned banks, the largest in the country, still play a prominent role in the financial system. These federal banks, while in better shape than their state-level counterparts, were also undercapitalized and carrying poorly performing loans, many the result of the loss-making “social” lending. These banks have, to an extent, recapitalized by selling back government bonds. Extraordinary bank profits in 2002 and 2003 also have improved the health of their balance sheets. As part of an effort to prevent the need for future recapitalizations of these federal banks, the government now requires that loss-making social lending programs by any government-owned bank be supported with an explicit government subsidy.

Dealing with the bank failures and consolidations of the last several years has led the Central Bank to strengthen bank audits, implement more stringent internal control requirements, and tighten capital adequacy rules to better reflect risk. It also established loan classification and provisioning requirements. These measures are applied to private and publicly owned banks alike.

Stock markets not an option for most companies

Only a few, primarily large, corporations raise capital through the Brazilian stock exchanges. In 2003, two new issues in the primary market raised $174.3 million. In June 2004, Brazilian airline Gol executed an initial public share offering simultaneously on the São Paulo and New York stock exchanges. Nevertheless, the total number of companies listed on the São Paulo stock market (BOVESPA) fell to 361 as of June 2004, compared to 399 in 2002 and 428 in 2001. Some companies find the benefits of maintaining a listing on the stock exchange do not justify the cost. Total turnover in the secondary market was $68.1 billion in 2003. Trading is highly concentrated, with the top 10 stocks accounting for over 50 percent of turnover. Some 71 Brazilian firms, including Petrobras, Embraer, Banco Itau, CVRD, Brasil Telecom and Ambev, are also listed on the NYSE via American Depository Receipts (ADR's).

In 2000, with the intent of promoting the stock market and improving liquidity, the numerous regional stock markets agreed to consolidate. All stock trading is now done on the São Paulo stock market, while trading of public securities is conducted on the Rio de Janeiro market. The São Paulo stock market also launched a “New Market,” in which the listed companies would comply with strict corporate governance requirements. As of June 2004, the new market has 31 listed companies.

Until recently, up to two-thirds of a corporation's capital could be preferred (non-voting) shares, so that it was possible to achieve majority control of voting shares, in some cases, by holding only 17 percent of total capital. In 2001, the Congress

Brazil’s Futures Market, BM & F, is located in Rio de Janeiro

approved a law that limits preferred shares for new issuances to 50 percent. The same proposal strengthens rights for minority shareholders.

The Brazilian Securities Exchange Commission (CVM) directly regulates the stock exchanges, brokers, distributors, pension funds, mutual funds, and leasing companies. In 2001, new legislation granted the CVM independence and established stronger penalties against insider trading.

In January 2000, Brazilian regulators removed a number of remaining restrictions on foreign portfolio investment. As a result, foreign investors – both institutions and individuals – can directly invest in equities, securities and derivatives. The foreign investors are required to trade derivatives and stocks of publicly held companies on established markets.

Export credit availability

BNDES, the government national development bank, is the primary Brazilian source of longer-term credit, and also provides export credits. FINAME (Special Agency for Industrial Financing) provides foreign and domestic companies operating in Brazil financing for the manufacturing and marketing of capital goods. FINAMEX (Export Financing) is a part of FINAME, which finances capital good exports for both foreign and domestic companies. An export credit program for capital and some consumer durable goods, known as PROEX, was established in 1991. PROEX receives funds from the National Treasury to offer assistance in the areas of interest rate equalization, capital and other goods exports, and service exports.

Other issues: accounting and mergers

Wholly owned subsidiaries of multinational accounting firms, including the major US firms, are present in Brazil. The failure of major banks and large businesses during 1995, notwithstanding positive financial statements prepared by the major accounting firms, raised doubts about the credibility of these financial statements. Beginning in 1996, auditors have been personally liable for the accuracy of accounting statements prepared for banks.

Brazilian law recognizes mergers, in which one company loses its separate identity by being merged into another, and consolidations, in which the pre-existing companies are extinguished and a new entity emerges. The procedures for both are essentially the same. Sales of Brazilian companies usually result from private negotiations, rather than stock exchange activities. Acquisitions resulting in market concentration in excess of 20 percent are subject to review by the Administrative Council for Economic Defense (CADE) under Brazil's 1994 Anti-trust Law.

Additional Resources

There is a wealth of information available to investors interested in Brazil. The web sites listed below are a good start. The Government of Brazil's sites are in Portuguese, but most allow you to switch the language to English (usually a button in the top right corner).

- Central Bank of Brazil: http://www.bcb.gov.br/
- Brazil's Ministry of Foreign Trade Relations Trade Promotion Department: http://www.braziltradenet.gov.br/.
- Brazil's Ministry of Development (MDIC): http://www.desenvolvimento.gov.br/ and www.investebrasil.com.br.
- Brazil's Institute of Statistics (IBGE): http://www.ibge.gov.br/.
- Brazil's Treasury Ministry: http://www.fazenda.gov.br/ .
- LatinFocus: http://www.latin-focus.com/latinfocus/countries/brazil/
- Latin American Network Information Center (LANIC), an affiliate of the University of Texas: http://www.lanic.utexas.edu/la/brazil/economy/
- Economist Country Briefing: http://www.economist.com/countries/Brazil/
- The World Bank: http://www.worldbank.org/
- CIA World Factbook: http://www.cia.gov/cia/publications/factbook/geos/br.html
- US Embassy in Brazil: http://www.embaixada-americana.org.br/.

This report was written by the Economic Section of the US Embassy in Brasilia, Brazil.

Overview – IPR Problems are Substantial in Brazil

"Brazil continues to fall short in providing adequate and effective protection of Intellectual Property Rights (IPR). Despite some positive developments, most notably with respect to the formation and activities of the Brazilian Congress' Chamber of Deputies' Commission of Parliamentary Inquiry (CPI) on piracy and amendments to the criminal code, protection has not significantly improved.

Brazil is one of the largest markets globally for legitimate copyrighted products, but also one of the world's largest pirate markets. Optical media piracy and Internet piracy are increasing. The U.S. copyright industry estimates that losses in Brazil are the largest in the hemisphere, with industry-estimated losses exceeding $785 million in 2003. Despite having adopted modern copyright legislation, Brazil has not undertaken adequate enforcement actions against piracy. Criminal enforcement has not been sufficient or effective in deterring piracy.

Furthermore, although a substantial number of raids are conducted by Brazilian police, very few result in prosecutions and convictions. Ineffective border enforcement that fails to stop an influx of pirated goods continues to plague trademark and copyright owners. Brazil has not made significant progress processing the backlog of pending patent applications, which industry estimates to be at 47,000 and for which industry has already paid substantial upfront processing fees. Unauthorized copies of pharmaceutical products continue to receive sanitary registrations that rely on undisclosed tests and other confidential data, although no unauthorized copies have been marketed yet.

The US Trade Representative (USTR) will continue to monitor Brazil's progress in these areas, including through the ongoing Generalized System of Preferences (GSP) review that was initiated in 2001."

Excerpted from US Trade Representative's 2004 Special 301 Report:
http://www.ustr.gov/Document_Library/Reports_Publications/2004/2004_Special_301/Section_Index.html

Protecting Your Products from IPR Infringement

Brazil is a signatory to the Paris, Bern, and Universal Copyright conventions on intellectual property rights (IPR) protection, the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), and the Patent Cooperation Treaty (PCT). Brazil is also a member of the World Intellectual Property Organization (WIPO).

The Brazilian Institute of Industrial Property (INPI) is the government entity in charge of industrial property rights, and the formal examination of applications for trademark and advertising slogan registration, and the issuance of letters of patent. INPI reports directly to the Ministry of Development, Industry, and Commerce (MDIC).

The Brazilian Institute of Industrial Policy (INPI) headquarters in Rio de Janeiro. Built in 1930 and designed by the French architect Joseph Gire, it was once one of Rio's most imposing structures.
Source: www.inpi.gov.br

Patents – Application Process

For an invention to be protected, it must be patented in Brazil. Since Brazil is a member of the Paris Convention, US patent holders have an exclusive right to apply for patents during certain periods: 6 months for industrial designs, and 12 months for inventions and utility models (a new arrangement of known materials which improve a product). A patent holder must use the patent commercially or the patent lapses. Food, medical, chemical-pharmaceutical products or preparations, and microorganisms are patentable.

As provided for in article 8 of the Industrial Property Law, the requirements essential for the granting of a patent in Brazil are: absolute novelty, industrial nature, and inventive nature. A patent is considered to be new when its subject is not included in the prior art concept. Prior art constitutes everything that has become accessible to the public through a written or oral description or by use or any other means, including the contents of patents in Brazil and abroad before filing a patent application, with the exception of cases where priority was previously applied for or a priority claim was made pursuant to the Paris Convention.

Letters patent may be issued for the protection of inventions, utility models, and registration of industrial designs. The protection granted by a patent extends for 20 years, in the case of inventions; for 15 years for patents on utility models;

and for 10 years for industrial design patents, always as from the date the request for protection is filed at INPI.

Proceedings for the issuance of a letter patent are lengthy and time-consuming. An application must be submitted to INPI, containing the inventor's claims, a full description of the invention and its drawing (when applicable), and proof of compliance with all legal requirements. Once the application has been presented, a preliminary formal examination takes place, and a certificate of filing is issued. The application will be kept secret for 18 months, and will then be officially published. The inventor has 36 months to request a formal examination of the application. Failure to request this formal examination will cause the application to be considered withdrawn. Granting of any patent application can be cancelled at any time by the courts.

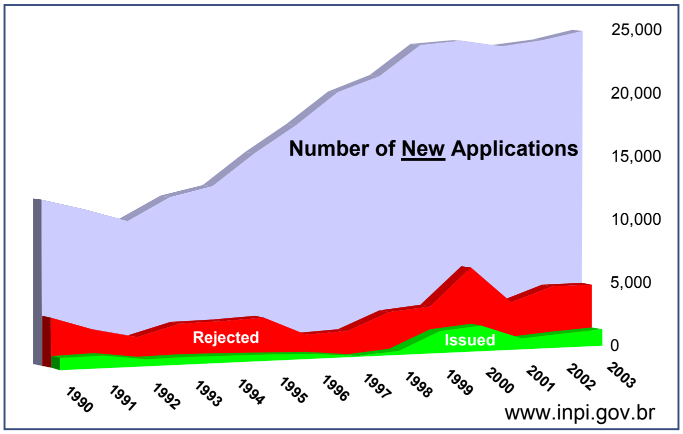
Commercial use of the patent must be initiated within three years of the date of issue of the letter patent, under penalty of obligatory licensing or lapse. Extinguishment of a patent may also occur if its use is interrupted for a period of two or more consecutive years; if the inventor fails to pay the required annuities to INPI; if the inventor expressly waives the privilege; or if it is administratively cancelled or judicially annulled.

The Industrial Property Law provides for conducts that constitute patent infringement, which is subject to penalties varying from 3 – 12 months of imprisonment or a fine. This law determines that the manufacture of a product or use of any means or processes covered by a patent, without authorization of the respective patent owner, will constitute a patent infringement.

Patents – Delays in Issuance Create Problems

While the letter of law is clear enough regarding patent review and issuance, the actual process is abysmally slow. The Brazilian Government, to its credit, has made reform of INPI a consistent theme in its bid to attract foreign direct investment. In June 2004 the government named Roberto Jaguaribe, a respected diplomat and engineer, to the Presidency of INPI. The US Government continues to work closely with MDIC to develop a partnership with the US Patent and Trademark Office, including training programs, technical assistance, and other means of improving INPI's efficiency.

Yet the primary obstacle to improvement remains a lack of resources. MDIC notes that INPI will lose a substantial percentage of its aging workforce to retirement in the coming years. To hire patent examiners with the requisite engineering and science skills will be difficult, however, given salary limits and opportunities for qualified candidates elsewhere. Currently INPI has approximately 80 examiners but is receiving over 20,000 patent applications per year. The agency would like to use its fees to fund an additional 450 examiner positions and to support an up-to-date patent database search system. To this end, INPI received a 48% budget increase over 2003.



INPI's Growing Pains are evident in the rise in patent applications (blue) every year. Green shows issued patents, red shows rejected. The vast majority continue to build up in INPI's backlog.

Pharmaceutical companies face additional hurdles

Brazil's market for pharmaceuticals is the 10th largest in the world, so practically all major drug companies seek patent approval and protection here. However, the sector faces a backlog of some 18,000 patent applications, at a filing cost of approximately US$ 30,000 per application. Some of these patent applications have been pending for several years. Once a patent is approved by INPI, it must be approved by Brazil's Health Agency (ANVISA), which creates further delays. Finally, pharmaceutical companies have faced considerable pressure from the Government of Brazil to reduce their prices drastically or risk having their patents broken in the interests of public health. The USTR continues to follow this area with concern on behalf of US pharmaceutical companies.

Trademarks

Application for a trademark may be either as a foreign or a Brazilian trademark. A foreign trademark is registered under the terms of the Paris Convention and thus establishes an exclusive priority. Registering your trademark secures protection and enables the trademark to be licensed or transferred in return for a royalty payment. A registration is valid for ten years and is renewable for successive ten-year periods.

The system for protection of trademarks in Brazil is based on ownership, and all rights stem from the registration of the trademark in Brazil. No protection whatsoever is accorded an unregistered owner even though it may have been using a trademark for years.

However, if the foreign owner of an unregistered trademark is able to prove its trademark is well-known worldwide, it is possible to claim the international protection granted by article 6 of the Paris Convention, which establishes that the signatory countries must deny applications for registration or cancel registrations of a trademark that reproduces a well-known trademark registered in another signatory country. However, in order to qualify for the benefit of article 6 of the Paris Convention, the owner must apply for registration of its trademark in Brazil. Registration may be applied for either by a Brazilian or foreign company.

If a trademark registration is applied for in Brazil by a foreign company without the priority claim established in the Paris Convention, it will be considered a Brazilian trademark, and therefore the benefit of such Convention will not be granted.

Brazilian law requires that the field of business of the trademark owner in Brazil be related to the goods or services covered by such trademark. To apply for registration of a trademark in Brazil, certification that the applicant is a company duly organized in accordance with the laws of its country to operate within its field of business is required.

The use of a trademark is essential to its protection in Brazil. A trademark will lapse if it is not used for five years from the date of registration, or if its use is interrupted for more than five consecutive years. Use can be proved by the owner of the trademark in Brazil or by the licensee who actually uses it.

An example of the challenges faced in Brazil by such US companies as McDonald's. This vendor is located in front of a large mall in a major Brazilian city .

Technology Transfer Agreements

Companies established in Brazil are now virtually free to negotiate technology transfer contracts. However, contracts still have to be registered with INPI.

Currently, INPI review of agreements that involve licensing of industrial property rights (trademarks and/or patents), transfer of technology, technical assistance services and similar agreements will be limited to examination of the aspects intrinsic to the documents submitted thereto, the tax and exchange legislation, and any characterization of antitrust or unfair competition practices.

INPI approval of such agreements is not only essential for the registration at the Central Bank of Brazil that will allow remittance of the remuneration abroad, but also for the deduction of fees paid by the licensee or recipient of the technology as operating expenses. Furthermore, INPI approval of patent license agreements is necessary, together with actual use by the licensee, to evidence commercial use of the licensed patent and to avoid forfeiture, as well as to enforce them upon third parties.

Other valid documents evidencing the transfer of technology and conditions governing such transfers (invoices, for instance) may also be submitted to INPI for approval, thus permitting remittance of funds abroad and tax deduction of payments resulting from the transfer.

Generally, technology transfer agreements must clearly state their object and the industrial property rights involved, and describe in detail how the transfer will actually take place.

The license agreements must state the conditions for actual use of patents regularly applied for or granted in Brazil; the registered trademark in Brazil or application for registration; the acquisition of know-how and technology not protected by industrial property rights; and the obtainment of techniques, planning and programming methods, research, studies and projects intended for execution or rendering of specialized services.

Trademark and patent license agreements must also state whether the license is exclusive and remunerated, and whether sublicensing is permitted. The term of the agreement must not exceed the validity of the trademark registration or patent. Trademark and patent license agreements will only entitle the owners to collect fees if the requirements mentioned above are met.

Contracts for rendering of technical and scientific assistance services must state the time required to perform the specialized services, the number of technicians required, their specialization and training programs, and respective remuneration.

Remuneration of the technology to be transferred may be established at a fixed price, a fixed price per item sold, a percentage of the profits, or a percentage of the net sales price, less taxes, fees and other charges agreed to by the parties.

Franchising agreements are not subject to the same statutory rules as trademarks, patents and transfer of technology. However, these contracts are subject to review and approval by INPI. It is not mandatory to register a franchising agreement to be valid, but to be executable against third parties it must be registered in accordance with Norm 115/93. If the franchiser is a foreign party, it has to register with the Central Bank in order to remit payments.

Copyrights

Copyrights are protected regardless of whether or not they are registered. Criminal and civil proceedings may be brought against infringers. The registration of software prior to marketing is no longer required. However, registration is recommended. Brazil's new software law meets the TRIPS accord framework. It addresses protection of software programs, and modifies definitions of reproduction, publication, transmission, and distribution. This provides protection especially against large distributors of pirated software including producers of hardware and CDs. Nevertheless, concern remains about the lack of effective copyright enforcement against pirated videocassettes, sound recordings, books and computer software entering the market.

The author of the work or, in the absence of proof to the contrary, the person claiming to be the author or whose name is included in the registered work, is treated by Brazilian law as owner of the copyright. In addition, any person who adapts, translates, arranges or edits a work that is no longer under copyright may claim the copyright to the work, but he cannot prevent the publication of another adaptation, translation, arrangement or edition of the same work unless the new version is derived from his own. Corporations are also allowed to own the copyright to a work. However, a corporation must hold such rights always at the author's approval.

Registration of a work in Brazil is optional, and not essential for its protection. In order to secure the copyright the author may register his work with the following bodies, depending on its nature:

- Brazilian National Library.
- School of Music of the Federal University of Rio de Janeiro (UFRJ).
- School of Fine Arts of UFRJ.
- Brazilian Film Institute.
- Federal Council of Engineering, Architecture & Agronomy.

Any other work that cannot be classified within any of the above categories may be registered at the Brazilian Copyright Information Center of the National Copyright Council.

Enforcement of Copyright Violations

The Brazilian Law protects copyrights, trademarks and intellectual property under the terms of the Paris Convention. The copyright piracy is punished with payment of damages and loss of profits, besides a Court order to stop the piracy and search and seizure of the forgery goods (if required in Court). Copyrights in Brazil are regulated by Law No. 9610 of February 19, 1999, pursuant to which all creative works of inspiration howsoever expressed are protected as intellectual property.

Proceedings in the civil and criminal courts may be brought against anyone who infringes upon another's copyright. The civil courts prohibit publication of a work which breaks copyright laws, and can also award damages to the owner of the copyright. Infringement of copyright can also be punished as an offense by the criminal courts.

Although the Brazilian Government recently raised penalties on violations of copyright law, the private sector has continued to express concern about the lack of enforcement of already existing statutes.

Software Protection – a Serious Concern in Brazil

Protection of software in Brazil is regulated by Law No. 9609 of February 19, 1999, which provides mainly for: (a) protection of the software itself as intellectual property; (b) the rules for marketing software, creating mechanisms for government agencies to monitor this marketing with a view to protecting Brazilian software; and (c) penalties of a criminal nature, for cases of infringement of software copyrights and certain rules for marketing.

Software is protected for 50 years as from January 1st of the year following its publication, or if not published, following its creation in each country. As with copyrights, software owners who reside outside Brazil are ensured protection, provided that their country of origin offers reciprocal treatment, granting both Brazilian and aliens resident in Brazil protection equivalent in extent and time.

The protection of software does not depend on registration, and the author need not register it. Optional registration can be made at INPI.

Unless the parties agree otherwise, the rights to any software developed during the life of any agreement or statutory relationship, research or development, in which such activity is carried out by the employee, civil servant or individual hired to render services as expressly provided for in the respective agreements, or which results from the nature of the work for which he/she was hired, will belong to the employer or service principal.

However, if the software is developed independently of any agreement or statutory relationship, and without the use of any resources, know-how, materials, facilities or equipment belonging to the employer or service principal, the rights to such software will belong to the employee, civil servant or individual rendering the services.

Infringement of software copyright is a criminal offense, which subjects the offender to detention from six months to two years, plus a fine.

According to the Software Law, the following situations will not violate software copyright:

- Reproduction of a copy that has been legally acquired, provided it is essential to the proper use of the program.
- Partial quotation for educational purposes, provided the author and the software quoted are mentioned.
- Similarity of two copies, provided this similarity stems from functional features in their application, from compliance with legal, regulatory precepts or technical standards, or a limitation of alternative forms for their expression.

- Integration of software and its basic features into an application or operating system that is technically indispensable to the user's needs, provided it is used exclusively by whoever undertook this integration.

Reality – Lack of Enforcement

Brazil's enforcement of these provisions, however, falls short. For instance, the country's domestic software industry is highly developed, particularly within the financial sector, and generated over US $7 billion in revenues in 2003. But since very little of this revenue has been generated by export sales, Brazilian software manufacturers have not felt as keen a need to support a vigorous enforcement regime. The Government of Brazil continues to press for its agencies to favor use of free open source software in order to save money, without reflecting on the resulting challenge to the domestic software industry's needs to sell its software at a profit.

Brazil's Ministry of Foreign Affairs notes that while violations are a problem, the Government of Brazil has more pressing needs for law enforcement agencies to address. However, given the acknowledged links between piracy and organized crime, a more consistent enforcement of anti-piracy laws might also reduce the incidence of violent crime in Brazil.

Paraguay, with an economy of US $ 9 billion, exports US $14 billion in contraband and pirated products each year, mostly to Brazil. Many of these products wind up displayed prominently in permanent shopping malls such as the "Feira dos Importados" within 2 miles of the Ministry of Justice in Brasilia. The prominence of smuggling routes and permanent shopping malls for pirated goods raise questions about the Government of Brazil's willingness to enforce its laws in these areas and have given rise to accusations of corruption by the Brazilian media.

In March 2004, BNAmericas reported that 55% of computers in Brazil use pirated software, although this estimate represents a decrease from PriceWaterhouseCoopers's estimate of 62% in 2000. Dell, which has substantial investments in manufacturing in Brazil, estimates that 70% of all computers sold in the country are either assembled from smuggled parts or loaded with pirated software. As a result, Dell has publicly announced that it has put expansion plans in Brazil on hold pending concrete evidence of the government's determination to tackle this problem. Dell's, and other companies', concerns about investing further in Brazil carry a real cost. In a prominent forum in Rio de Janeiro this year, the President of the US-based International Intellectual Property Institute (IIPI) claimed that Brazil loses 1.5 million jobs/year due to IPR piracy. ■

Resources

- The US Commercial Service's Investment Climate Guide has an additional section on IPR issues. To see the report, go to our website: www.focusbrazil.org.br/ccg.
- To see reports on IPR for other countries, please go to our market research section on our export.gov site: http://www.export.gov/marketresearch.html
- USCS Brazil's reports on Top Prospects for US exporters: www.focusbrazil.org.br/ccg.
- USCS Brazil's Guide to Marketing Services: www.buyusa.gov/brazil.
- US Trade Representative's Office: http://www.ustr.gov/
- US Government's Trade Compliance Center (TCC): http://www.mac.doc.gov/tcc/
- Brazil's National Institute of Industrial Property (INPI): http://www.inpi.gov.br/
- World Intellectual Property Organization: http://www.wipo.int/
- International Intellectual Property Institute (IIPI): http://www.iipi.org/

Overview – Exporting to Brazil

When exporting to Brazil, US firms must be aware of the fact that Brazilian companies will push hard for unsecured open account credit terms. This is primarily due to the fact that Brazilian interest rates are among the highest in the world. The Selic Rate, the Brazilian equivalent of the US Discount rate, was 18.25% per annum in January 2005. As a result, short-term interest rates (60 to 90 days) range from 20% to 60% pa, with an average of approximately 30% pa.

Due to the high cost of capital, selling on open account terms gives exporters a major advantage when competing with firms that insist on confirmed letters of credit. US exporters also face another challenge. Many Brazilian importers choose to forgo necessary imports rather than providing a letter of credit or borrowing and paying large interest expenses.

However, it is risky to export to Brazil on open account terms, particularly to new or relatively new clients. Proper credit due diligence should always be undertaken and should be an on going process. See more on credit due diligence at www.export.gov/finance.html.

Due to the challenging borrowing environment in Brazil, US exporters should be aware of a variety of financing and export credit insurance sources that may enable them to assist their clients and prospective clients in arranging financing so that they can complete the export transaction in a secure manner.

For a more thorough overview, US exporters should look at our US Export Finance Guide – *Getting Paid by Your Brazilian Buyer*, which is hosted at www.buyusa.gov/brazil.

Sources of Export Finance and Export Credit Insurance

All the standard methods of export finance are available and used for exports to Brazil. These include the following:

- Local commercial banks and subsidiaries of international banks.
- US Ex-Im Bank.
- US Department of Agriculture Credit Assistance Program

As well, Brazilian importers have a number of other Brazilian options for import finance that US exporters should be aware of. These include:

- The Brazilian Development Bank (BNDES).
- FINAME.
- FINEP.

Local Banks and Subsidiaries of Foreign Banks

Brazil has one of the most sophisticated financial systems in Latin America. Brazil's largest domestic commercial banks are Banco do Brasil (federally controlled), Bradesco and Itau.

US banks have been in Brazil since 1915. In terms of asset size, Bank Boston, Citibank, Banco Ford, JP Morgan & Chase, and Banco GM were among the top 50 financial institutions in the country as of March 2000. Citibank (12th) and Bank Boston (16th) are placed among the country's top 20 financial institutions on this basis (Source : FEBRABAN)

Ex-Im Bank

The Export – Import Bank of the United States (Ex-Im Bank) offers a range of loan, insurance and loan guarantee programs to facilitate the exports of US goods and services.

In 2003, Ex-Im Bank authorized US$ 228 million to support US exports to Brazil.

Financing

The Bank's short-term, medium-term and long-term programs are available to support US exports to Brazil when the obligor is a highly creditworthy private sector entity. A Brazilian public sector entity may be the end-user, obligor, or guarantor of financing provided with Ex-Im Bank guarantees. However, the Government of Brazil is the only sovereign entity in the world that does not accept Ex-Im Bank's arbitration clause making it more of a challenge for Ex-Im Bank to support Brazilian public sector transactions.

The Ex-Im Bank does not require that a private sector commercial bank be the obligor or guarantor on all transactions. If the risk is with a non-bank company, its audited balance sheet and income statements must be strong and the company must have a good commercial track record.

The Ex-Im Bank requires information on proposed obligors and guarantors. Such information includes financial statements and credit references. Engineering data are required for long-term transactions.

Most of Ex-Im Bank's recent medium-term Brazilian business transactions have been done under the Credit Guarantee Program. Ex-Im Bank acts mainly as a guarantor of US bank loans to private Brazilian banks, assuming the commercial and political risks of the loans. The Brazilian bank becomes the obligor. The resources guaranteed by the Bank are made available to privately owned Brazilian companies importing U.S. goods and services.

Credit Insurance

Ex-Im Bank works with the Foreign Credit Insurance Association (FICA) to offer various export insurance programs, including short-term and medium-term export credit insurance, letter of credit insurance, and lease default insurance policies. Other Ex-Im Bank guaranteed export credits are available from the Private Export Funding Corporation (PEFCO), which borrows in the commercial market and re-lends for exports.
Ex-Im Bank has approved major procedural changes in applying its foreign content and local cost policies to finance US export sales. The more flexible procedures have facilitated co-financing projects with the export credit agencies (ECAs) of other countries.

Ex-Im Bank recently conducted joint marketing seminars with Banco do Brasil in five Brazilian cities to encourage more small and medium-sized Brazilian companies to purchase US goods and services with Ex-Im Bank supported Banco do Brazil financing (Note: CS Brazil Finance Team actively supported and participated in many of these promotional seminars).

Web site: www.exim.gov.

US Department of Agriculture (USDA)

The US Department of Agriculture administers a number of credit assistance programs that provide foreign buyers with financing for the purchase of US produced agricultural commodities and products.

GSM-102 Credit Guarantee
USDA's GSM-102 credit guarantee allocation in 2004 for South America is US$ 700 million. As of April 2004, this program has guaranteed $470 million in sales and more than half are for Brazil.

Through the GSM-102 program, the US Government guarantees 98% of the value of letters of credit opened to finance the purchase of US agricultural commodities and products for up to three years. Since payment is guaranteed, US banks can offer importers' banks competitive rates of interest thereby facilitating purchasing from the US.

Supplier Credit Guarantee Program (SCGP)
The USDA has authorized US$ 20 million in credit guarantees for sales of US agricultural products to South American countries including Brazil under SCGP for 2004. This is an adaptation of the GSM-102 program whereby the US Government guarantees 65% of the value of promissory notes signed by importers purchasing agricultural products from US suppliers for up to 180 days.

GSM-103
The USDA also administers the GSM-103 program that guarantees letters of credit from 3 to 10 years for livestock and animal genetics.

FGP
Finally, US suppliers and Brazilian buyers are eligible for the USDA's Facilities Guarantee Program (FGP). Through FGP, the Commodity Credit Corporation guarantees letters of credit to finance commercial exports of U.S. manufactured goods and services that will be used to improve agriculture-related facilities.

These credit guarantee programs reduce the risk of nonpayment to US banks (or suppliers, in the case of SCGP) that extend credit to Brazilian banks (or Brazilian buyers) to finance US agricultural exports. The reduction of risk may be reflected in lower interest rates on financing than would be the case without a USDA guarantee.

For any questions about using USDA's Credit Guarantee Programs in Brazil, please contact the US Agricultural Trade Office at the US Consulate General in São Paulo at (55) (11) 5186-7400.

Web sites: www.usda.gov and www.usdabazil.org.br.

Brazilian National Development Bank (BNDES)

State owned BNDES is a major source of medium and long-term financing in Brazilian economy. BNDES's main credit activities are the financing of fixed investment, Brazilian export of goods and services and the acquisition and leasing of machinery and equipment. A significant portion (over 40%) of BNDES's loans were given to infrastructure projects in 2003.

Web site: www.bndes.gov.br.

FINAME

The FINAME program provides financing for the purchase of new industrial equipment with no less than 60% local content. It provides loans of up to 90% of the purchase cost up to a maximum of US$ 7 million. Loan interest rates currently run between 13.55 and 16.86%, well below commercially available rates. The loan has an amortization period between 6 months and 5 years. The program is administered by BNDES.

Web site: www.bndes.gov.br/linhas/finame.asp.

FINEP

The FINEP program, run by an agency of the Ministry of Science and Technology, provided US$ 260 million in 2002 for long-term financing for the financing of new products, research centers, total quality systems and joint ventures. FINEP'S funds are made available to the public through a variety of development banks.

Web site: www.finep.gov.br.

Other Resources

- The US Commercial Service in Brazil can help companies interested in Ex-Im Bank financing and other means of doing business in Brazil. For more information on our programs in support of export finance, please contact Patrick.Levy@mail.doc.gov.
- For more reports on export finance in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html

Overview

With one of the world's largest and most diversified economies, Brazil represents an attractive opportunity for US companies. The US enjoys a strong reputation in a variety of sectors as Brazil's largest single trading partner. This report addresses **project finance** issues that US companies interested in investing in Brazil should consider. Brazil can be a challenge for US investors, although the situation has improved considerably in the last 10 years.

The US Commercial Service (USCS) has a team of sector experts who are dedicated to helping US companies do business in Brazil. To see if we have published a top prospects report on your sector, please click on the following link: www.focusbrazil.org.br/ccg. If you do not see a report for your product or service, or if you want to investigate opportunities further, consider contacting us directly to find out how we can help you increase business in Brazil.

For more information on investing in Brazil generally, please review our report on the Investment Climate, available at: www.focusbrazil.org.br/ccg.

Brazil Needs More Foreign Direct Investment

Brazil requires major investment in virtually all areas of its economy and infrastructure. Accordingly, there are significant opportunities for US firms seeking to expand into Brazil. Capturing project financing for foreign direct investment (FDI) in Brazil and indeed other foreign countries, is more complex and challenging than for domestic projects. Accordingly, US firms should be aware of a number of project finance tools that are available to them from a variety of sources that can assist them in securing project finance for projects in Brazil. Sources include:

- The US Government (OPIC, Ex-Im Bank).
- Multilateral organizations (IDB, World Bank).
- The Private Sector.

Sources of Project Financing

The largest source of project finance available to US firms is the commercial banking sector. The sector is very active; however, lenders are generally more interested in major projects or medium-sized projects of over at least US$ 2 million.

Other sources of project finance available to US firms, particularly for smaller projects, are:

- The US Government's Overseas Private Investment Corporation (OPIC).
- US Ex-Im Bank.
- The Inter-American Development Bank (IDB).
- The World Bank.

OPIC

The Overseas Private Investment Corporation (OPIC) was established as a development agency of the US government in 1971. OPIC helps US businesses invest overseas, fosters economic development in new and emerging markets, complements the private sector in managing the risks associated with foreign direct investment, and supports US foreign policy. By expanding economic development in host countries, OPIC-supported projects can encourage political stability, free market reforms, and best practices. Because OPIC charges market-based fees for its products, it operates on a self-sustaining basis at no net cost to taxpayers.

Since 1971, OPIC has accomplished its developmental mission by supporting more than 3,100 projects throughout the developing world. Over the agency's history, OPIC has supported nearly $145 billion worth of investments that have helped developing countries to generate over $11 billion in host-government revenues and create over 680,000 host-country jobs. Additional information regarding OPIC and its programs can be found on OPIC's website at www.opic.gov.

US OPIC in Brazil		
Current Exposure in Brazil through Finance and Insurance Programs		**Over US$ 1 billion**
Projects OPIC has Financed in Brazil (sample)		
AES Corporation	Power Project	US$ 30 million
Ball Corporation	Aluminum Can Plant	US$ 23.7 million
McDonald's	20-Restaurant Expansion	US$ 525,000
Grand Hyatt	Hotel	US$ 61 million
Signs Now Corporation	Franchise	US$ 1 million

Ex-Im Bank

In June 1994, the United States Government Export-Import Bank (Ex-Im Bank) established a Project Finance Division. The Bank is capable of financing all creditworthy projects that request its support. Ex-Im Bank has no minimum or maximum project size limitations and no specific country lending caps. The cost of using Ex-Im Bank financing will be directly based on the risks associated with each project and will be designed so that the bank neither makes nor loses money. For more information on Ex-Im Bank's programs, refer to www.exim.gov/.

Multilateral Development Banks/International Financial Institutions

The Inter-American Development Bank (IDB) and the World Bank are also involved in supporting infrastructure projects in Latin American countries. In 2003 the IDB approved 6 loans totaling US$ 339 million. Currently the IDB is working on 23 projects for Brazil. In 2003, the World Bank approved 24 Brazilian projects totaling US$ 2.05 billion. Approximately 60%

of the World Bank's resources in 2003 focused on poverty reduction, such as education, health, rural development and water/sanitation. The Bank's activities include traditional co-financing, World Bank guarantees, creating infrastructure funds to finance private project companies, and designing projects for future private sector participation.

Web sites : www.iadb.org and www.worldbank.org.

Sources of Political Risk Insurance

Regardless of where project financing is sought, a significant number of lenders require that their loans be secured by political risk insurance. Political risk insurance covers investors against the risks of:

- Expropriation.
- Political Violence and War.
- Currency Inconvertibility/Non-Transfer.

There are a number of public and private providers of political risk insurance. Many lenders insist on using political risk insurance provided by public insurers claiming that the coverage is more secure. Public insurers available to US firms are the US Government's Overseas Private Investment Corporation (OPIC) and the World Bank's Multilateral Investment Guarantee Agency (MIGA)

Overseas Private Investment Corporation (OPIC)
OPIC has provided insurance for a number of projects in Brazil. Examples include Anheuser Busch (US$ 5 million), BankBoston Leasing (US$ 44.1 million), Citibank (7 Different Loans, primarily in the telecommunications sector, totaling US$ 359 million).

Web site: www.opic.gov.

Multilateral Investment Guarantee Agency (MIGA)
MIGA is part of the World Bank Group and provides political risk insurance for new projects in developing countries. MIGA's stated mission is "to promote foreign direct investment into developing countries, in order to support economic growth, reduce poverty and improve people's lives." MIGA has provided insurance for a number of projects in Brazil which include the following:

- US$ 90 million guarantee of medical equipment leases for MRI's, CT scanners and other medical equipment for a loan securitization program.
- Partial Guarantee of a US$ 650 million non-shareholder loan for BCP's telecommunications project in São Paulo.

Web site: www.miga.org.

Private Political Risk Insurers
A number of private insurers provide coverage for foreign direct investments against the risks of expropriation, political violence/war and currency inconvertibility/non-transfer.

The main private political risk insurers are Chubb, American International Group (AIG), Zurich, and Lloyd's of London.

Project Finance Opportunities for US Lenders

There is a huge potential for project finance operations in Brazil because of the lack of public funds for infrastructure investment. In this regard, the public-private partnership (PPP) initiative of the Brazilian Government is of interest to a variety of national and international companies to help promote economic growth without pushing the Government further into debt. Market estimates indicate that US$ 44 billion needs to be invested in the next two years. However, investors should note that there is considerable lack of clarity around the details of Brazil's PPP strategy.

Due to high domestic interest rates, almost all project finance is raised in the international market. Furthermore, Brazilian exporting companies typically securitize future export earnings not only for implementing restructuring projects but also for working capital.

Since February 1995, the Brazilian Government has granted concessions to private companies to explore commercially some of the activities formerly reserved for state-owned companies (e.g., electricity distribution and generation, highway repair, port development/operation).

These concessions provide US banks with new business opportunities in Brazil. Generally, US Banks will need a Brazilian office to successfully prospect for clients. However, most foreign banks handle the transaction and raise funds outside of Brazil.

Citibank, Banco Bradesco, Banco Itaú and Unibanco are some of the banks in Brazil that have been involved in project finance. ■

Additional Resources

- The US Commercial Service in Brazil can help companies interested in OPIC project financing and other means of doing business in Brazil. For more information on our programs in support of project finance, please contact Patrick.Levy@mail.doc.gov.
- Our website, with services and a variety of news for US companies interested in Brazil: www.buyusa.gov/brazil
- For more reports on project finance in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html

Agricultural Equipment
January 2005

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the agricultural equipment market offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

Agricultural Equipment

Brazil is among the world's leading producers of agricultural commodities. There is growing demand in Brazil for agricultural equipment that improves the quality and yield of crops while reducing costs. Moreover, since farms are generally large, Brazil is ideally suited to incorporate a wide range of American agricultural machinery and technology.

Brazilian farmers enjoy a comparative advantage in many agricultural segments, particularly the grain, fruit, fiber, and animal protein sectors. This advantage is due to a temperate climate with plenty of light, the world's largest surface and ground fresh water reserves, excellent quality and diversity of soils and diverse agro-ecological systems.

The Brazilian agricultural sector has enjoyed over a decade of success in virtually all market areas including increased production and exportation, technological development and increased investment. In 2003, Brazilian exports of agricultural products exceeded imports by US$ 26 billion. At the end of October 2004 this figure already reached US$ 29 billion. The positive performance of Brazilian agribusiness is due in large part to gains in productivity. For example, for the period 1990 to 2002, overall grain production increased 62%. During the same period the cattle industry grew 67%.

Brazil: An Agricultural Powerhouse

Brazil is a true agricultural powerhouse and as such represents an excellent opportunity for US exporters of agricultural equipment and agricultural equipment parts.

Brazil is a major producer of a variety of agricultural commodities and is the world's largest producer of coffee, sugar cane and oranges. It is also the world's second largest producer of soybeans, cattle meat, tobacco leaves, bananas and brazil nuts and the third largest producer of maize, pineapples, pepper and cashew nuts.

US$ millions	2003	2004 est*	2005 est*
Market Size	$762	$876	$1,000
Local Production	$828	$952	$1,100
Exports	$161	$185	$210
Imports (Global)	$95	$109	$125
Imports from US	$64	$73	$84

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates - *2004/2005 figures are estimates

Brazilian Rankings in Global Agricultural Commodity Production	
World's Number 1 Producer of:	
Commodity:	Volume:
Coffee	1.9 million MT
Sugar Cane	386.2 million MT
Oranges	16.9 million MT
World's Number 2 Producer of:	
Soybeans	51.5 million MT
Cattle Meat	7.5 million MT
Tobacco Leaves	648,500 MT
Bananas	6.5 million MT
Brazil Nuts	28,000 MT
World's Number 3 Producer of:	
Maize	47.8 million MT
Pineapples	1.4 million MT
Pepper	62,984 MT
Cashew Nuts	178,434 MT

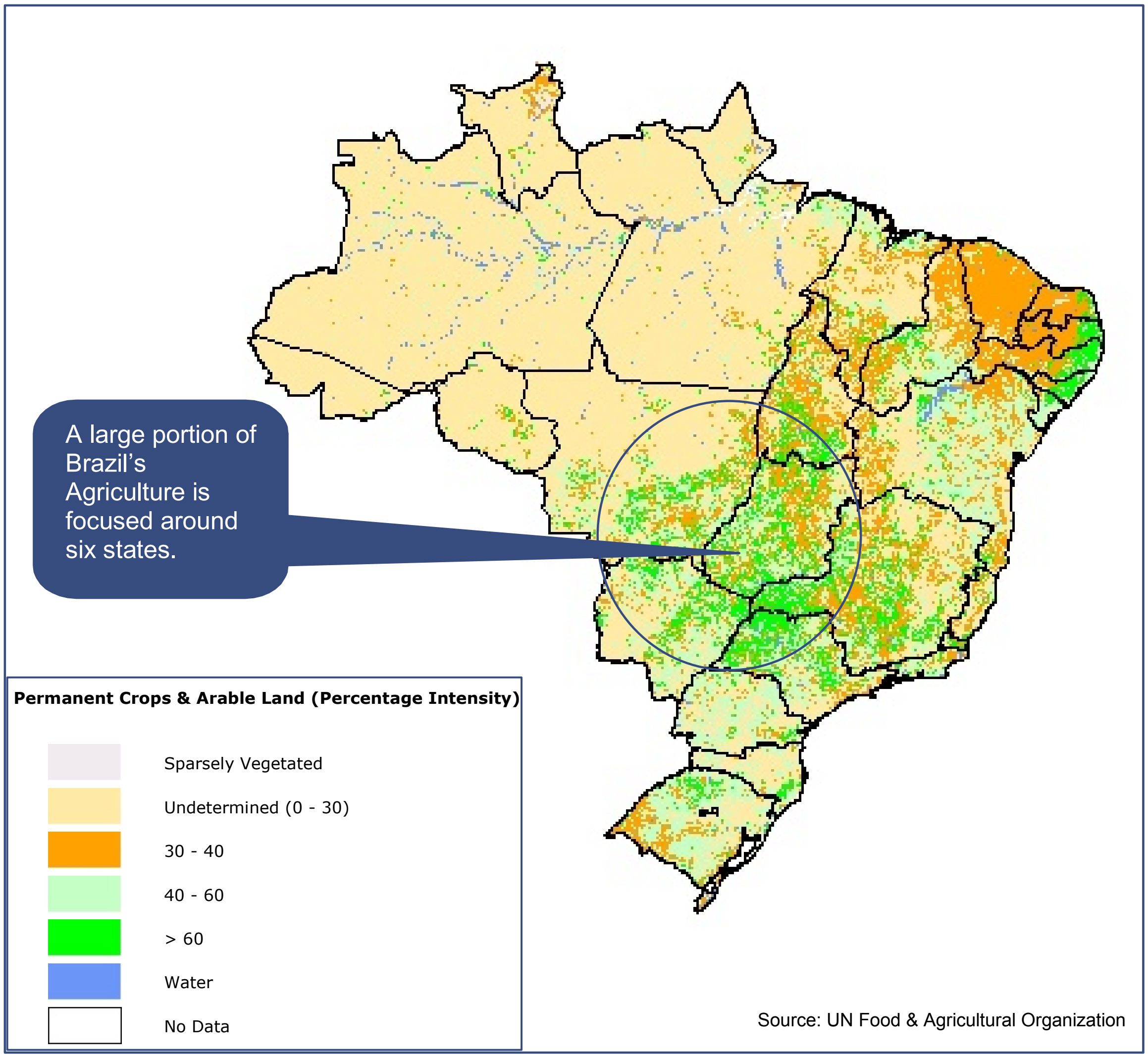
Source: UN Food & Agricultural Organization – 2003

Soybeans Account for Half of Brazil's Grain Production

Brazil's largest agricultural crop is soybean. In 2003 Brazil's soybean crop was 52 million MT, representing half of Brazil's total grain production. Even though Brazil is the world's largest soybean exporter it is also one of the few countries still capable of increasing its planted area. In fact, Brazil has more unused commercially viable agricultural land than any other country in the world.

A number of foreign firms have set up equipment manufacturing operations in Brazil.

Brazil currently has the world's largest reserve of unused arable land. Much of Brazil's agricultural sector is focused around six states, Mato Grosso, Mato Grosso do Sul, Goias, Tocantins, the western portion of Minas Gerais and the northern half of the state of São Paulo.



Source: UN Food & Agricultural Organization

Brazil's Aging Machinery Fleet In Need of Upgrading

Even though Brazil is one of the world's largest agricultural producers, its true potential will only be met with significant investment in a number of areas. For example, according to Brazil's Automotive Industry Yearbook for 2004, Brazil's Wheel Tractor Fleet in 2001 was only 410,000 units, representing only 1.5% of the world total. In the 1990s, Brazilian investment in agricultural machinery declined resulting in an aging of the Brazilian fleet. At the end of the decade, approximately 40% of tractors and 56% of pickers were obsolete.

A change in this scenario came with the establishment Moderfrota, a program launched by the Ministry of Agriculture, in conjunction with the Brazilian Development Bank (BNDES), to modernize Brazil's agricultural equipment by offering credit and other incentives.

Brazil currently has 7 foreign companies manufacturing agricultural machinery locally including Agco, Agrale, Caterpillar, John Deere, Komatsu, Valtra and CNH (Case, Fiat Allis and New Holland). Total installed production capacity in Brazil is 86,000 machines per year.

Top US Export Prospects

Top US export prospects in this sector include sophisticated, state-of-the-art machinery with higher efficiency levels, including the following equipment:

- Post-harvest machinery, including field refrigeration units/storage for tropical fruits.
- Fruit sorting and grading machines.
- Grain and seed cleaning, sorting and grading machinery.
- Vegetable cleaning, sorting and grading machinery.
- GPS and precision agriculture devices.
- Poultry equipment.
- Irrigation equipment.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Igly Serafim at: igly.serafim@mail.doc.gov
- US Commercial Service in Brazil: www.buyusa.gov/brazil
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Brazilian Industrial Association of Machines and Equipment (ABIMAQ): www.abimaq.org.br
- Brazilian Ministry of Agriculture: www.agricultura.gov.br
- Brazilian Rural Society (SRB): www.srb.org.br

BRAZIL

Top US Export Prospects

Agriculture
January 2005

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that agriculture offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product or service here, please consider directly contacting the US Foreign Agricultural Service (FAS) in Brazil at http://www.usdabrazil.org.br/.

Name of Sector: Coarse Grains
HTS: 1001 – 1008.99

Traditionally a net coarse grain importer, Brazil emerged as a corn exporter in 2001. Since that time Brazil has been the fourth largest global corn exporter. Despite a bumper crop in 2003/04, Brazil still imported nearly 800,000 tons from neighboring Paraguay to fill consumption needs by the southern poultry industry. In addition to regular imports into Southern Brazil, Northeastern Brazil continues to import very small amounts of corn due to the high internal freight costs. Paraguay and Argentina enjoy many advantages in the Brazilian market, such as proximity, lower transportation costs, shorter delivery times, and protection from the 8.0% Mercosul duty and 25 percent merchant marine tax. Despite Paraguay and Argentina's advantages, there are opportunities for US grains, particularly in feeds and fodder, which enjoyed US$ 23 million in sales from the United States to Brazil in 2003.

Corn Metric Tons (000s)	2003	2004 est*	2005 est*
Consumption	37,500	38,800	40,000
Local Production	44,500	42,500	42,500
Exports	4,620	4,200	4,500
Imports (Global)	786	250	300
Imports from US	8	0	0

(Marketing Years)
*Statistics are forecasts.
Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Name of Sector: Rice
HTS: 1006

A bumper crop this year will lead to reduced imports, particularly from non-Mercosul destinations. Imports from Argentina and Uruguay will continue due to lower production costs compared to southern Brazil. Demand for supplies from the United States is likely to be greatly reduced from the 2003 level. However, a smaller crop in 2005 will likely lead to greater demand for non-Mercosul supplies with the United States as the primary supplier though competition from Asian suppliers is increasing. Importers will prefer paddy rice to supply Brazilian mills. US rice benefited in the last quarter of 2003 from a reduced Common External Tariff, which was implemented due to tight Brazilian and Mercosul supplies.

Rice Metric Tons (000s)	2003	2004 est*	2005 est*
Consumption	8,100	8,500	8,650
Local Production	7,050	8,708	7,900
Exports	19	50	25
Imports (Global)	1,117	750	850
Imports from US	331	50	75

(Milled Basis, Marketing Years)
*Statistics are forecasts.
Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Name of Sector: Wheat
HTS: 1001

Brazil relies on imports for the majority of its wheat consumption, with Argentina supplying about 90 percent of Brazil's import needs. On March 15, 2001, the Ministry of Agriculture lifted the ban on US Soft Red Winter, Hard Red Spring, and Hard Red Winter wheat. The ban blocked US wheat imports due to several phytosanitary issues related to wheat, including TCK smut, cereal stripe and flag smut. Exports of these wheat varieties must now come with an addition declaration in the phytosanitary certificate that "the wheat comes from an area free of anguina tritici," and cannot be shipped out of west coast ports. Importation of US wheat from the states of Washington, Oregon, Idaho, California, Nevada, and Arizona remains prohibited due to phytosanitary concerns.

Brazil is one of the world's largest wheat importers. Argentina enjoys many advantages in the Brazilian market, such as proximity, lower transportation costs, shorter delivery times, and protection from the 10% Mercosul duty and 25% merchant marine tax. Despite Argentina's advantages, there are significant opportunities for US wheat in the Northeast, particularly from May through September preceding the Brazilian harvest. Furthermore, importers and millers have stated a willingness to pay a premium for US wheat, given its superior quality. Access to US wheat classes will benefit Brazilian millers and consumers. In 1996, before Brazil imposed import restrictions on US wheat, it purchased roughly 760,000 tons of US wheat worth US$ 174 million. In 2003, US wheat exports became the number three agricultural export item to Brazil, with sales of nearly US$ 63 million. However, the bumper domestic crop in 2004 cut imports of US wheat dramatically. This year's large crop is also expected to restrain demand for US wheat.

Wheat Metric Tons (000s)	2003	2004 est*	2005 est*
Consumption	9,865	10,000	10,200
Local Production	2,925	5,851	5,700
Exports	6	1,375	300
Imports (Global)	7,036	5,300	5,000
Imports from US	656	368	100

(Marketing Years)
*Statistics are forecasts.
Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Name of Sector: Whey and Lactose
HTS: 0404,1702

Although Brazil produces a small amount of whey derived from its cheese production, whey is considered a residue and is seldom used as a food ingredient. Brazil also produces an insignificant amount of lactose. Imports of these products have been reduced in the past two years because of the drop in domestic consumption of dairy products, such as yogurts and dairy drinks, due to the lower purchasing power of Brazilian consumers. However, these products still offer an opportunity for US exporters because local production does not meet demand. The European Union and Argentina are the major competitors of the United States in this market.

Whey/Lactose Metric Tons (000s)	2002	2003	2004 est*
Consumption	75	65	63
Local Production	33	35	38
Exports	0	0	0
Imports (Global)	42	30	25
Imports from US	10	4	4

(Marketing Years)
*Statistics are forecasts.
Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Name of Sector: Inputs to Bakery Sector (Malt extract & flour-based food preparations)
HTS: 1901

The bakery product sector registered sales in the tens of millions of dollars in 2003. Among bakery products, baked goods account for the largest proportion of sales, with a share of approaching 80% in both value and volume terms. Bread dominates sales of baked goods, and accounted for a volume share of more than 96% in 2003. The second largest bakery product sold is biscuits. In 2003, over 70% of biscuit sales in value and volume terms were sweet biscuits.

Bakery Inputs US$ millions	2002	2003	2004 est*
Exports	$4.40	$12.20	$26.44
Imports	$26.25	$61.21	$61.80
Value of Imports from US	$.05	$.04	$.01

Name of Sector: Cotton
HTS: 5201

Internal cotton consumption has been strong lately as a result of high oil prices, which has led to an increase in the price of synthetic fibers. The average price of polyester in 2003 was US$ 1.03 per kg compared to the current price of US$ 2.09 per kg. Demand is rising for "natural" instead of synthetic fibers by environmentally conscious consumers. Demand is also being supported by low farm gate prices as producers have pushed harvested supplies on the market. Cotton consumption is also aided by a recovery in the economy and greater disposable income. Textile contacts also report that textile exports are driving demand with shipments in the year thus far 26 percent greater than last year. Post forecasts a year-to-year increase in consumption of 40,000 tons (5 percent) with 2004/05 forecast at 890,000 tons.

Cotton production in Brazil is soaring as new lands are opened in the Center-West region and producers become more efficient. While this increased production is providing greater competition to US exports, it has had little impact on US imports. Demand for US Pima cotton has declined but imports of long-stemmed cotton for use in the production of denim has been healthy. Cotton was the leading US agricultural product imported by Brazil in FY 2004 and imports are expected to continue strong in 2005.

Cotton Metric Tons (000s)	2003	2004 est*	2005 est*
Consumption	800	850	890
Local Production	847	1,272	1,350
Exports	106	210	450
Imports (Global)	122	112	100
Imports from US	58	68	60

(Marketing Years)
*Statistics are forecasts.
Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Name of Sector: Wine
HTS: 2204

National wine consumption is 3 liters per year per capita, though the average is 10 liters per capita annually in the southwest, center-south and south regions of the country. Wine production in Brazil is concentrated in the southern most part of the country, notably the state of Rio Grande do Sul. The domestic production of high quality wines is not enough to meet demand, so there is a sizable market for imported wines. Despite the devaluation of the Brazilian real, industry specialists state that the wine sector is one of the least affected, for it has a high aggregate value and is consumed by higher social classes, which are less sensitive to economic downturns. Brazilian consumers are not generally aware of the high quality of US wines, but Brazilian importers believe there is a great potential for the product. In 2004, the top 10 suppliers in terms of import value were as follows:

1. Chile	US$ 20 m	6. Spain	US$ 3 m
2. Argentina	US$ 18 m	7. Uruguay	US$ 1 m
3. Italy	US$ 13 m	8. South Africa	US$ 0.6 m
4. Portugal	US$ 12 m	9. Australia	US$ 0.6 m
5. France	US$ 11 m	10. Germany	US$ 0.5 m

Wine Liters (000s)	2002	2003	2004 est*
Local Consumption	49,560	50,070	61,450
Local Production	25,380	23,710	43,000
Exports in US$ million	$1.2	$0.9	$1.8
Imports (Global)	$24.2	$26.8	$42.8
Imports from US	$0.4	$0.5	$0.3

Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Inputs to Beer Production (Yeasts; baking powder)
HTS 2102

Brazil is among the world's top five beer producers. Two of the biggest brewers in the country are AmBev and Kaiser. The total sales of beer in 2003 accounted for 8.5 billion liters, representing 1.5% growth compared to 2002 sales. Beer sales are expected to achieve stronger growth rates over the next few years as a result of increased investments from major manufacturers. In March 2004, the Belgium beer company Interbrew and AmBev merged their operations in Latin America and created the Interbrew-Ambev company. This new company will be the second largest beer manufacturer in the world and will account for the production of 19.2 billion liters of beer per year.

Beer Inputs US$ millions	2002	2003	2004 est*
Exports	$12.35	$13.92	$14.88
Imports	$17.05	$21.25	$26.57
Value of Imports from US	$0.15	$0.11	$0.09

Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Pears and Apples
HTS: 0808.20.10 and 0808.10

Brazil has virtually no commercial pear production. While Brazilian apple production continues to increase, imports are ongoing. Argentina and Chile, the dominant suppliers of pears and apples to Brazil, benefit from preferential tariff treatment. European suppliers are also active in the market. Consumer knowledge of US product characteristics and quality, nevertheless, is expanding. US production also benefits from having an opposite harvest season from that of Argentina and Chile, allowing for a marketing window, and active US marketing programs, particularly for pears. US exports have interesting opportunities in this market.

Apples/Pears Metric Tons (000s)	2001	2002	2003
Local Consumption	750	845	809
Local Production	706	857	825
Exports	36	66	73
Imports (Global)	198	143	150
Imports from US	3	2	3

Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Fresh Fruit (excluding Apples and Pears)
HTS: 0804 – 0807 & 0809 - 0810

With an over-valued currency during the first years of the Real Plan (1994-97), the market showed an unprecedented opportunity for imported fruit. In 1996, Brazil imported US$ 21.4 million of US fruit, the highest level since the 1970's. The situation shifted, however, with the 1999 currency devaluation. Other factors also affected US fresh fruit imports, including: increased competition from MERCOSUL countries and Chile, which enjoy duty-free entry and preferential tariffs, respectively; increased phytosanitary restrictions; and greater local production.

A year after the 1999 devaluation, however, the Brazilian economy showed significant recovery. Brazil has enormous growth potential, as noted when comparing per capita fresh fruit consumption with that of more economically developed countries. There are market segments to be developed. Today, opportunities exist for imported cherries, grapes, plums, kiwi, peaches and strawberries.

Brazil ranks among the major fruit producers. It is the world's biggest grower of oranges, bananas and papayas, and is among the larger producers of pineapple, mangoes and grapes.

Fresh Fruit (excl. Apples/Pears) Metric Tons (000s)	2001	2002	2003
Local Consumption	23,637	23,035	24,180
Local Production	23,922	38,125	40,000
Exports	439	362	380
Imports (Global)	62	63	66
Imports from US	1	1	1

Source: Secretaria de Comércio Exterior (SECEX) – MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

United States Department of Agriculture Credit Assistance Program

In FY05 (October 2004-September 2005) USDA's GSM-102 credit guarantee allocation for the countries of South America is $900 million. As of December 2004, just over US$ 50 million in guaranteed sales had already been registered using this program, and more than one-half of this for exports of products to Brazil. Through the GSM-102 program, the US Government guarantees 98% of the value of letters of credit opened to finance the purchase of US commodities and products for up to three years. Because payment is guaranteed, US banks can offer banks representing importers competitive rates of interest thereby facilitating purchasing from the US

The US Department of Agriculture has authorized US$ 20 million in credit guarantees for sales of US agricultural products to South American countries including Brazil under the Commodity Credit Corporation's Supplier Credit Guarantee Program (SCGP) for FY 2005. This is an adaptation of the GSM-102 program whereby the US Government guarantees 65% of the value of promissory notes signed by importers purchasing agricultural products from US suppliers for up to 180 days.

In addition to GSM-102 and the SCGP, USDA also administers a GSM-103 program that guarantees letters of credit from 3 to 10 years for livestock and animal genetics. Finally, one other program US suppliers and Brazilian buyers are eligible for is the Facilities Guarantee Program (FGP). Through FGP, the Commodity Credit Corporation guarantees letters of credit to finance commercial exports of US manufactured goods and services that will be used to improve agriculture-related facilities.

These credit guarantee programs reduce the risk of nonpayment to US banks (or suppliers, in the case of SCGP) that extend credit to Brazilian banks (or Brazilian buyers) to finance US agricultural exports. The reduction of risk may be reflected in lower interest rates on financing than would be the case without a USDA guarantee, or it may mean the difference for the availability of US bank financing.

US exporters may apply for credit guarantees on a first-come-first-serve basis to cover sales of any of food and agricultural products. Virtually all US origin agricultural commodities and products are eligible under the GSM –102 and the Suppliers Credit Guarantee Program. For both programs, US suppliers initiating the sale pay a credit guarantee fee based on the FOB value of the shipment being made.

Four additional credit options are also available for coverage of sales to Brazil. These new configuration are set forth below. Also, applicable guarantee fee rates, expressed in cents per US$ 100 of coverage (based upon guaranteed value) are shown. These fee rates include a charge to provide adjustable interest coverage.

For any questions about using USDA's Credit Guarantee Programs in Brazil, please contact the US Agricultural Trade Office at the US Consulate General in São Paulo at ATOSaoPaulo@usda.gov.

United States Department of Agriculture Services in Brazil

The United States Department of Agriculture is represented at the US Embassy in Brasilia by the Foreign Agricultural Service's (FAS) Office of Agricultural Affairs (OAA) and the Animal and Plant Health Inspection Service (APHIS) office. Similarly, these two USDA agencies maintain offices at the US Consulate General in Sao Paulo, the former through its Agricultural Trade Office. FAS offices assist US exporters of food and agricultural products by providing current information on opportunities for exporting such products to Brazil, registering US companies with the Brazilian Ministry of Agriculture (MAA) to become eligible to export to Brazil, and providing contact information on Brazilian Brazilian food and agriculture product buyers. These offices are focal points for US market development activities in Brazil, and can provide to US exporters lists and catalogues of Brazilian importers, distributors, agents and wholesalers in order to facilitate contact with Brazilian buyers.

US Animal and Health Inspection Service in Brazil and AgExport Connections Service

The USDA, Animal & Health Inspection Service (APHIS) also has offices colocated at the American Embassy and US Consulate General to address sanitary and phytosanitary issues.

An AgExport Connections Service is also provided by the USDA/FAS offices in Brazil. This service is managed in FAS/Washington, D.C. to keep US sellers and exporters informed of opportunities in markets overseas. Among other services, US suppliers can obtain a Foreign Buyers List from USDA/FAS. There are lists for all countries worldwide providing information on more than 15,000 foreign buyers of US food and agricultural products. Buyer Alert is a no-cost advertising service whereby US suppliers can promote their products directly to foreign buyers. The USDA also maintains a US Suppliers List that serves as the primary reference for US supplier information for FAS field offices. Thus, it is important for interested US exporters to be a part of the list. For more information, please contact one of our offices in Brazil or the AgExport Services office in Washington, D.C. at telephone (202) 690-3416 and fax (202) 690-4374 or visit the USDA/FAS website at www.fas.usda.gov.

US Foreign Agricultural Service in Brazil

In order to obtain assistance, please contact the FAS offices at the following addresses:

US Address:
Office of Agricultural Affairs
AMEMBASSY, Brasilia
Unit 3500
APO AA 34030-3500

Street Address:
Embaixada dos Estados Unidos –FAS
SES – Av. Das Nacoes –Qd. 801 – Lote3
70403-900 Brasilia, DF

Phone/Fax/E-mail:
Tel.: (55 61) 312-7101
Fax: (55 61) 312-7659
AgBrasilia@usda.gov

US Address:
US Agricultural Trade Office
AMCONGEN, São Paulo
Unit: 3502
APO AA 34030-3502

Street Address:
US Agricultural Trade Office
Rua Henri Dunant, 700
04709-110 São Paulo, SP

Tel: (22 11) 5186-7400
Fax: (55 11) 5186-7499
ATOSaoPaulo@usda.gov

USDA's website in Brazil:
http://www.usdabrazil.org.br/

With its team of industry sector experts, the US Commercial Service can assist US exporters gain entry into the Brazilian market through market research reports, matchmaking services and advocacy programs. The Commercial Service has offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Porto Alegre. You can visit us at www.buyusa.gov/brazil or contact us at sao.paulo.office.box@mail.doc.gov.

BRAZIL

Top US Export Prospects

Aircraft and Parts

January 2005

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the aircraft and parts sector offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

Brazil is a World Leader in Aerospace

Major aircraft manufacturers such as Boeing and Embraer foresee a high demand for commercial and corporative aircraft market in the next 20 years. Latin America expects to grow faster because of its large population, vast geography and tourism development.

The Brazilian aircraft market should represent approximately 40% of the region's market growth. Embraer's analists foresee a global demand of 7,800 commercial jets with capacity from 30 - 120 seats over the next 20 years. From 2005 to 2014 the industry should deliver some 3,200 jets, at approximately US$ 170 billion. The corporate aircraft market should total 7,500 aircraft in the next 10 years. From this number, we expect 1,500 to be super mid-size executive jets.

Embraer firm orders in 2003 totaled US$ 10.6 billion

EMBRAER is Brazil's major aerospace company with 34 years of experience in designing, developing, manufacturing, selling and providing after-sales support for the global aircraft market. Embraer is Brazil's leading export company, with orders totaling US$ 10.6 billion in 2003.

In 2004 Embraer had some unexpected events that made the company review its estimated deliveries for 2004 and 2005. North American Airline US Airways, which had signed a contract to purchase 85 Embraer 170 aircraft, filed for bankruptcy. Therefore Embraer suspended their aircraft delivers. In addition, American Airline's subsidiary American Eagle decided to cancel its 18 ERJ 145 regional jet aircraft deliveries.

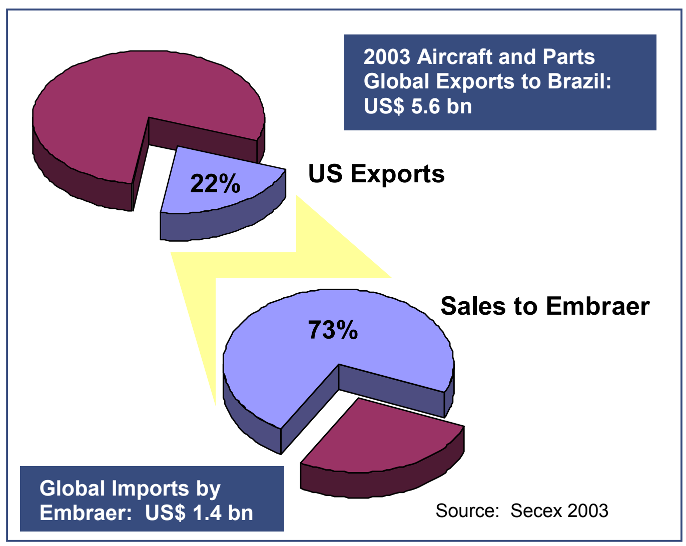
Considering the above scenario, Embraer is revising its total deliveries forecast for 2004 and 2005 to a total of 145 aircraft for both years. Embraer's total firm order backlog, including the airline, corporate and defense market totaled US$ 11 billion. The US is Embraer's largest customer and largest supplier of parts, with up to 65 percent of purchases coming from the U.S.

US$ millions	2003	2004 est*	2005 est*
Market Size	$4,800	$6,060	$6,600
Local Production	$1,270	$1,651	$1,800
Exports	$2,050	$2,720	$2,990
Imports (Global)	$3,737	$4,858	$5,340
Imports from US	$1,213	$1,577	$1,735

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

Embraer has Highly Developed Supplier Networks

Embraer has developed "risk sharing" partnerships with key US aerospace companies, who serve as major suppliers of aircraft parts. These include General Electric Engine Company, Honeywell, Hamilton Sundstrand, C & D, and BF Goodrich. In addition to Embraer's risk sharing partners, the company buys components and material from over 100 suppliers in more than 20 US states. As a result, US suppliers provide almost 70 percent of the value of components parts and material for the Embraer 170 and the Embraer 190 aircrafts.



73% of US exports of aircraft and parts to Brazil are to one customer - Embraer.

Leading Products for US Exporters

According to Brazil's Department of Civil Aviation (DAC), Brazil holds the world's third largest business aviation fleet, surpassed only by the US and Mexico. The total Brazilian fleet registered with DAC is approximately 17,000 aircraft, including airplanes and civil and military helicopters. The country's dependence upon its civil aviation system and recent policy initiatives to establish a modern market economy create favorable prospects for US commercial aircraft and parts manufacturers.

The following products in the aircraft and parts sector are expected to have the best potential in Brazil in 2005:

- Civilian aircraft.
- Offshore helicopters.
- Turbojet aircraft engines.
- Civilian aircraft parts.
- Aircraft engines.
- Aircraft control systems.
- Aircraft propeller parts.
- Aircraft accessories.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Daniele Andrews at: daniele.andrews@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- DAC - Department of Civil Aviation: www.dac.gov.br
- Embraer: www.embraer.com.br
- Ministry of Defense: http://www.defesa.gov.br
- CTA - Aerospace Technical Center: http://www.cta.br/
- AIAB - Associação das Indústrias Aerospaciais do Brasil: http://www.aiab.org.br/
- ABIMDE – Associação Brasileira das Indústrias de Material de Defesa: www.abimde.com.br

Embraer's Legacy executive jet uses Arizona-based Honeywell Aerospace's Primus 1000 EFIS avionics suite.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The US Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements.

With its team of industry sector experts, the US Commercial Service can assist US exporters gain entry into the Brazilian market through market research reports, matchmaking services and advocacy programs. The Commercial Service has offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Porto Alegre. You can visit us at www.buyusa.gov/brazil or contact us at sao.paulo.office.box@mail.doc.gov.

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the airport industry offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

The Importance of INFRAERO

Over 90% of airports in Brazil are managed by state-owned INFRAERO (Empresa Brasileira de Infra-Estrutura Aeroportuária). Historically, Brazil's airport system was comprised primarily of ex-military landing strips. INFRAERO has begun to integrate and improve Brazil's airport system and in 2000 started work on a number of important airport modernization projects. These projects offer attractive long-term market prospects for US manufacturers of airport equipment.

INFRAERO is responsible for designing, building, operating and managing 65 airports and 82 navigation support stations, all of which have air traffic control, telecommunications services, and flight protection systems and services. INFRAERO is headquartered in Brazil's capital city, Brasília and has seven regional business centers located in Belém, Brasilia, Manaus, Porto Alegre, Recife, Rio de Janeiro, and São Paulo.

Source: www.torredecontrole.com.br

US$ millions	2003	2004 est*	2005 est*
Market Size	$3,911	$1,444	$16,438
Local Production	$280	$336	$403
Exports	$240	$288	$345
Imports (Global)	$3,047	$411	$15,200
Imports from US	$343	$409	$5,000*

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
*2004/2005 figures are estimates – 2005 US market share highly variable

Investment Levels

Brazil's investment in airports varies widely from year to year, as major projects are taken on and procurement tends to be of big-ticket items. 2005 promises to be an extraordinary year, however, with a total projected increase in expenditures of some US$ 15 billion, most of which needs to be imported. We find INFRAERO's estimates to be highly credible, since its funding pool for such projects is self-generating.

As an example, 2003 was an atypical year because INFRAERO imported high value equipment from Spain (passenger bridges - total value US$ 2 billion). Imports from US increased around 20% from 2003 to 2004. The primary equipment imported from US in 2004 was parts and components for maintenance services. In 2004 Infraero also imported parts for the TA 10K radar system, VHF-AM Integrated Station supplies, radio beams, and hydrogen generators, from France, England, Canada, and Uruguay respectively.

In 2005 INFRAERO plans to make substantial purchases of high-value equipment. Projects for 2005 include converting domestic airports into international airports, such as the airports in Piaui and Rio Grande do Sul. Therefore, Brazil will have to invest in major security equipment, air navigation systems, and telecommunication systems.

There is some basis for believing that US exporters have an exceptional opportunity in 2005. That is because INFRAERO made similar procurements, on the order of US$ 20 billion, in 2002. This equipment was primarily for fire control and included a single purchase of fire combat equipment that totaled over US$ 5 billion.

Some of INFRAERO's airport projects will be made in conjunction with state governments as well as with private sector corporations. All airport construction projects are being contracted by INFRAERO through public auction. The winning contractor will then choose subcontractors to participate in the project.

Major investments continue to be scheduled for São Paulo's International and domestic airports in Recife, Maceio, Brasilia and Rio de Janeiro (Santos Dumont).

The project at São Paulo International Airport (Guarulhos) includes the construction of a new terminal. The estimated cost of this project is US$ 549 million and project completion is scheduled for 2007.

Best Prospects for US Firms

The following products represent the best prospects for US firms exporting to Brazil:

- Passenger bridges.
- Firefighting trucks.
- Metal detectors.
- Sniffers.
- Baggage X-ray inspectors.
- Radars, and parts for radar maintenance.

US airport equipment firms primarily compete with companies from Finland, Spain, France and Germany. Due to the competitive nature of the market and the high cost of capital in Brazil, firms providing the most attractive financing arrangements will generally be the most competitive. See the CCG's section on Export Finance to learn more about US Government financing instruments available to US exporters.

Given the fact that most of the first-order procurement will be done through Government of Brazil's formal bidding procedures, we particularly urge US suppliers to contact us early to find out about timing, strategy, and levels of assistance that we can offer.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Daniele Andrews at: daniele.andrews@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- INFRAERO: www.infraero.gov.br
- DAC - Department of Civil Aviation: www.dac.gov.br
- Embraer: www.embraer.com.br
- Ministry of Defense: http://www.defesa.gov.br
- CTA - Aerospace Technical Center: http://www.cta.br/
- AIAB - Associação das Indústrias Aerospaciais do Brasil: http://www.aiab.org.br/
- ABIMDE – Associação Brasileira das Indústrias de Material de Defesa: www.abimde.com.br

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Top US Export Prospects

Automotive Parts

January 2005

Overview

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Brazil – a World Leader in Automotive Manufacturing

Brazil has a long-established competence in automotive manufacturing, aided in no small part by a relatively large consumer class, a culture that reveres Formula I racing, and decades of protectionist policies that continue to favor domestic production. GM, Daimler-Chrysler, and Ford all have large manufacturing installations in Brazil and compete vigorously in the small car market against Fiat, Peugeot, Renault-Citroën, VW, Toyota, and Honda. In addition, a variety of small trucks, large rigs, and busses are manufactured in Brazil by most of the world's leading automotive companies. Finally, a complex tax structure that encourages innovative fuel use and energy independence has led Brazilian companies to become innovators in natural gas and sugar cane-derived fuels for internal combustion engines.

Brazil is one of the top ten automotive manufacturers in the world by volume, with over 2.2 million units produced in 2004. Of the top ten countries manufacturing cars, Brazil's per capita income is by far the lowest. However, cars are relatively easy for Brazilian consumers to purchase, with generous financing packages offered due to clear laws governing car ownership as collateral. Car manufacturers are among the most sophisticated television and print advertisers, and car sales have in recent years proven to be sensitive to slight changes in the prime rate set by the Central Bank of Brazil.

Brazil is increasingly seen by automotive manufacturers as an export platform for smaller models, typically with less than 2-liter displacement engines. In just one example, Ford recently opened a US$ 1.2 billion plant in Bahia, in NE Brazil, which together with OEM suppliers employs over 5,000 people. It is manufacturing a small sport-utility, the Amazon, for export worldwide.

Automotive Parts Market is Significant

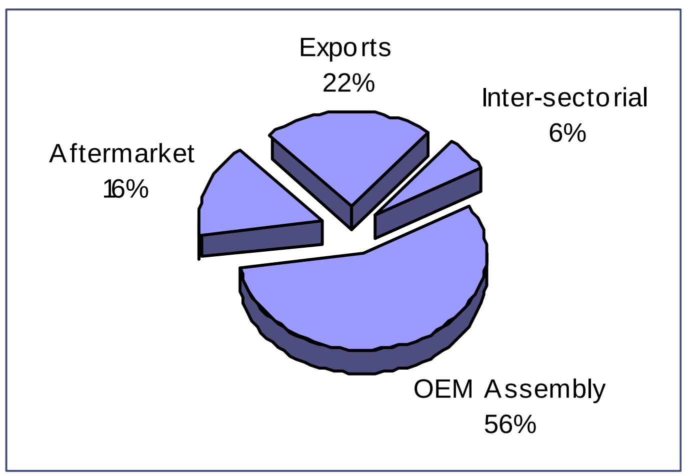
Given the scale of the Brazilian automotive production market, most suppliers tend to maintain operations in Brazil as well. The automotive parts market in Brazil is expected to reach US$ 17.2 billion in 2005, a growth of 12% compared with 2004.

US$ millions	2003	2004 est*	2005 est*
Market Size	$12,400	$15,400	$17,200
Local Production	$12,854	$14,900	$14,900
Exports	$4,772	$5,700	$6,300
Imports (Global)	$4,318	$5,500	$5,900
Imports from US	$750	$790	$840

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
*2004/2005 figures are estimates

We estimate a significant portion of this growth will come from new vehicle production, which is projected to increase 9.4% in Brazil. OEM assembly is responsible for 56% of the total market size of auto parts in Brazil, while exports represent 22% of it. New investments reached US$ 600 million, 20% more than 2003. The return on sales, which has been negative during the last couple of years, with some exceptions, is expected to continue to grow in 2005.

Automotive market imports and exports are expected to grow slightly in 2005. The imports are expected to reach US$ 5.9 billion and the exports US$ 6.3 billion and the sector is expected to employ 172,000 people, modest growth compared to last year's figures.



Distribution of Market for Automotive Parts in Brazil for 2003. There is considerable potential for US automotive suppliers to grow market share in both the Exports and OEM Assembly categories.

We believe that much of the increase in sales of automotive parts in 2005 will come from increased exports of vehicles from Brazil. That said, the actual percentage increase that we project for US imports is relatively flat. The challenge for US exporters of automotive parts is Brazil's burdensome tax structure on imports. However, US companies should note that US market share of imported parts is less than 25%, leaving room to increase sales at the expense of other foreign suppliers to Brazil. In addition, we believe that the fact that many auto parts suppliers in Brazil are running at 90% capacity could force carmakers to consider expanding imports overall. For more information on taxes, duties, and tariffs, please consult our report on regulations and customs at www.focusbrazil.org/br/ccg.

Dana Corporation of Toledo, Ohio, has been supplying suspension modules to VW of Brazil for its best selling Gol model since 1996.

Top Automotive Parts Imports

- Subassemblies and accessories for tractors and automotive vehicles.
- Parts and accessories of stampings.
- Gearboxes.
- Spark ignition and internal combustion engines.
- Subassemblies and parts for explosion engines.
- Roller bearings.
- Gearings and friction wheels, ball axles and rollers.
- Breaks and parts for tractors and vehicles.
- Injection pumps parts for liquids.
- Parts for diesel and shaft engines.
- Joints, gaskets and alike of soft vulcanized rubber.
- Ignition key for vehicles engines.
- Diesel and shaft engines of vehicles.
- Vulcanized rubber other than hard rubber.
- Ball bearings with integral shafts.
- Engines (compression ignition internal combustion piston engines).
- Transmission housing, fixes speed, multiple and variable speed.

Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Roberto Muhlbach at: roberto.muhlbach@mail.doc.gov.
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- ANFAVEA (National Association of Vehicle Manufacturers): http://www.anfavea.com.br.
- SINDIPEÇAS (National Association of Autoparts Manufacturers): http://www.sindipecas.org.br.
- SINDIREPA (Brazilian Association of Mechanical Shops): http://www.oficinadeveiculos.com.br.
- ANDAP (National Association of Autoparts Distributors): http://www.andap.org.br.

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Computer Software

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US$ millions	2003	2004 est*	2005 est*
Market Size	$8,400	$9,000	$9,400
Local Production	$4,600	$4,900	$5,200
Exports	$200	$200	$200
Imports (Global)	$3,800	$4,100	$4,300
Imports from US	$3,300	$3,500	$3,450

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

Brazil Leading in Software Revenues in Latin America

Brazil will drive the market growth for corporate software in Latin America in 2005. In 2004 there was strong market growth in this sector that now paves the way for robust software demand in 2005. Brazilian companies are expected to spend US$ 22 billion this year on information technology (IT), an 5% increase over 2004.

As the largest and most dynamic IT market in Latin America, Brazil offers significant opportunities for US suppliers of IT products and services. Brazilians have a high regard and strong preference for US technologies and will buy from US companies that can offer competitive prices.

Brazilian firms will spend 28% of their IT budgets on hardware, 35% on software and outsourcing, and the remainder on items and services such as voice and data transmission. A notable tendency will be convergence of voice and data networks such as IP virtual private networks (VPNs), which will require investment in greater bandwidth. For related material on the crossover between voice/data services and software, please view our report on telecommunications equipment prospects at www.focusbrazil.org.br/ccg.

Nearly US$ 5.5 billion is expected to be used to contract IT services, a 10% increase compared to 2004. IT services will account for the largest share in technological investments, as acquisitions of infrastructure, software, and hardware have to a great extent already been made in the 2000-2003 period.

As the trend towards outsourcing technological services continues, Brazil offers the most attractive market in Latin America for multinationals looking to centralize mechanical back office functions into regional service centers. Regionally, in comparison with other Latin America countries, Brazil showed the most signs of improved IT spending in 2004.

Network security will also be a strong component of IT spending this year, but is primarily restricted to installation of firewalls rather than more complex security strategies. Companies are selecting solutions according to price and quality, rather than deciding because of the brand name or because of an existing relationship with a vendor.

Brazil's wireless market is another important IT segment and is growing faster than the US market. This segment may emerge as one of the world's most important markets for wireless security technology.

The concept of buying and selling over a cell phone may represent an attractive prospect for US exporters to Brazil. Online shoppers in Brazil spent US$ 420 million in 2003, up 40% from 2002. The growth was driven by an increase in the average amount of each transaction, which totaled US$ 110 in 2003 compared to US$ 80 in 2002.

Open Source Gaining Favor in Brazil

Recently, city, state and federal government procurement offices have been debating in Brazil a possible preference for "open-source" software (known as *Software Livre* in Brazil). Several bills have been introduced in the Brazilian Congress requiring federal agencies to acquire and use free, unrestricted open-source systems. Some state and local governments in Brazil have either enacted or are debating laws that call for open-source systems.

Brazil's software industry is concerned with this direction, noting with some justification that an official government stance against paying for software might prejudice the domestic industry's basic licensing business model.

The US Government is following the open-source movement closely, as some US providers of licensed software have expressed concern that the Government of Brazil will effectively apply pressure on its agencies to decide in favor of freeware. At the same time, to the extent that government agencies do adopt open-source solutions, there will be considerable opportunities for US providers to seek service contracts in order to maintain an orderly version development process and support.

US Software Industry is Competitive

Industry experts predict total software sales in excess of US$ 9.4 billion in Brazil during 2005. Of this amount, US$ 7.7 billion will be sales of imported products, of which almost 70% are from the US. The role of the US as the primary source of software for Brazil paves the way for US suppliers to introduce new products to this market, since demand is high and acceptance is well demonstrated.

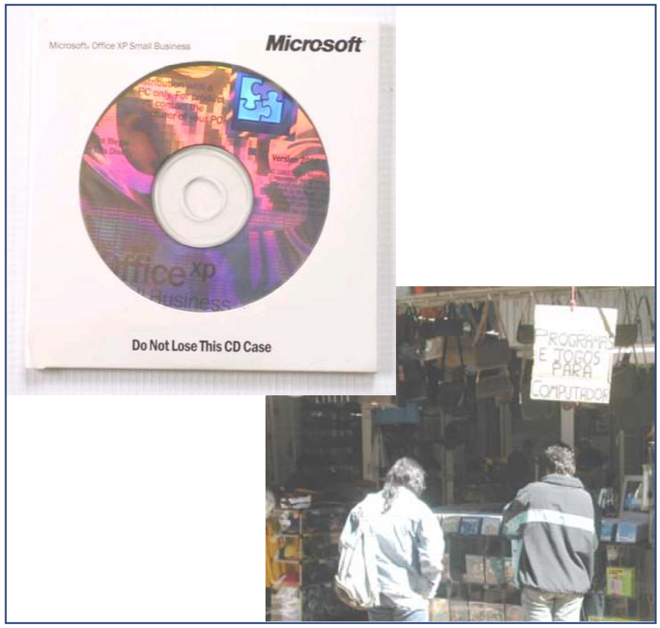
Although Brazil's domestic software industry is well-developed, particularly in the financial services segment, most Brazilian software companies have not had success exporting their products. In part this may be due to the fact that the Brazilian market is relatively large, and protected to a certain extent by import tariffs and duties. In any event, the Government of Brazil has an ambitious plan to increase software exports by 10x, to US$ 2 billion annually. This goal assumes the world demand for software will triple over the next 5 years, to US$ 900 billion annually.

Certification is another concern. The Brazilian subsidiary of US-based EDS is the only company that has earned the CMM Level 4 certification in Brazil. Three other companies have earned Level 3 certification, but they are all US subsidiaries (Motorola, IBM, and Xerox). Twelve Brazilian companies have earned Level 2 certification. Brazil's performance stands in stark contrast to India's, where two thirds of the world's Level 5 companies are based.

As a result, Brazil's software market is in an unusual position. With revenues of over US$ 5 billion, it is the world's 7th largest producer of software – but since only 4% of those revenues are earned through exports, it is not seen as globally competitive. US companies with higher levels of certification and proven export sales to other countries may thus be able to argue that they are more reliable suppliers for Brazilian companies who themselves are seeking to become more globally competitive.

But Software Piracy is Widespread

US software manufacturers should be aware of the fact that severe software piracy problems exist in Brazil. Illegal copies of software from Southeast Asia enter Brazil through Paraguay or are made domestically, and are widely and publicly available in practically every large city. The Business Software Alliance estimated recently that 55% of all software used in Brazil is pirated, with an estimated US$ 519 million in resulting losses for software suppliers in 2003. The Government of Brazil has recently publicized stricter penalties, but the industry has called attention to lack of enforcement and judicial delays in sentencing for violations of laws already on the books. The US government continues to follow this area with concern. For more information on this issue, please refer to our report on Intellectual Property at www.focusbrazil.org/br/ccg.



Illegal copies of such US software applications as MS Office XP, Norton AntiVirus, and Oracle 9i are widely available, for $3 or less, in most large cities in Brazil.

Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Genard Burity at: genard.burity@mail.doc.gov
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- Business Software Alliance: www.bsa.org/

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E-commerce

January 2005

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Brazil: Largest E-commerce Market in Latin America

Brazil is the ninth largest Internet market in the world and the first in Latin America with the most advanced Internet and e-commerce industries. According to the Brazilian Chamber of Electronic Commerce (Camara-e.net), Business-to-Business (B2B) and Business to Consumer (B2C) reached revenues of US$ 16 billion in 2003. Approximately 5 percent of the B2B transactions (US$ 11.8 billion) and 3 percent of the B2C (US$ 4.5 billion) were made through the Internet. Market analysts predict a 10% growth of the sector by year-end 2004 and an increase of 5% in total imports.

The Brazilian e-market continues to grow at a steady pace due to the rapid expansion of the telecommunications sector in the past years. The Internet is having a profound effect on Brazil, and Brazilians have rapidly become the Latin American leaders in technological innovation and Internet applications. From e-gov to e-business, from real-time news to state-of-the-art software solutions, Brazil's profile in the Internet is growing.

This segment continues to receive significant investments, especially in the broadband segment. Some of the factors influencing such growth are:

- A large user base.
- State-of-the-art banking equipment.
- Large local retailers with strong brand recognition.
- A wide array of Portuguese language content providers.
- The Brazilian Government's new project to extend Internet access to all citizens.

Government of Brazil Wants to Increase Access

Anatel, the Brazilian telecommunications regulatory body, equivalent to the FCC, plans to increase broadband penetration at public institutions by offering new SCD (Communications Digital Service) licenses. SCD is a telecommunication system under the public regime that will allow the implementation for broadband internet access to approximately 260,000 high schools, middle schools, hospitals, emergency clinics, libraries and public security offices (fire, police), and handicap institutions around Brazil. Anatel plans to publish bidding rules for the SCD licenses at the end of the second quarter of 2004, and hold an auction for the 20-year licenses in the third quarter, for service to begin in October. Eleven licenses are available, each corresponding to one geographical region.

US$ billions	2003	2004 est*	2005 est*
Market Size	$16.0	$17.6	$21.1
Imports from US	$3.3	$3.5	$4.2

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
*2004/2005 figures are estimates

Internet Use Characteristics

There are approximately 20 million Internet users in Brazil, a figure that places Brazil among the global Internet elite. Use of the Internet continued to grow in 2004 and Brazilian users ranked even higher than European ones in time spent and relative usage of audio-visual content, e-banking and e-commerce.

At-home usage in Brazil is growing as fast as more advanced countries, despite the economic downturn of previous two years. Teenagers, executives and professionals are usually the heaviest web users. Brazilian teenagers spend almost 14 hours a month on the web, more than the time they use to read newspapers or going to the movies. This year, Brazilian executives surfed the web at home almost the same amount of time as their American counterparts.

A few Internet Service Providers (ISPs) dominate
According to the Brazilian Association of Internet Service Providers (ABRANET), there are currently more than 1,000 ISPs in Brazil, but only five large companies hold 50 percent of the market share in terms of Internet users. The market leader for paid Internet access is Terra Lycos (owned by Spain's Telefonica), followed by Universo Online (UOL), and AOL. These three ISPs represent more than 70% of paid internet subscribers in Brazil.

Fierce competition among Internet Service providers has caused access costs to fall and now broadband internet is one of the fastest growing segments in the Brazilian market. By the end of 2004 companies offering broadband services expect to have at least four million subscribers, a significant increase as compared to one million subscribers at the end of 2003. The weak financial position of cable operators in Brazil has resulted in a dominance of the broadband market by the incumbents' DSL solutions. This trend should continue throughout the forecast period, with DSL representing more than 94 percent of all broadband lines at year-end 2008.

However, the market penetration is still low as compared to the United States. The penetration rate is limited due to the relatively small portion of the population in the upper and middle classes, who have access to computers and other necessary hardware to access the Internet. Skewed income distribution limits the number of domestic users, but the web reaches more than 80 percent of the upper-middle and upper classes. Broadband access is still expensive in Brazil and only a small percentage of Brazilian families or corporations can afford it.

Lower class Internet usage is growing
Nevertheless, there has been a significant growth in Internet use by lower income individuals, who now represent 17% of Brazilian net surfers, up from just 5% four years ago. Besides the decrease of Internet subscription costs and the availability of free Internet providers, there are other reasons for the popularization of the Internet among lower-income users: initiatives to make computers available in schools and public places, and increased availability of credit lines for the acquisition of the first family computer.

Direct to Business and Consumer on the Increase

The B2B segment is still small in Brazil and is concentrated in a few large companies. Although newspapers highlight significant investments by multinational and Brazilian firms to develop e-business, numbers point to a different reality. For example, in the state of São Paulo, only 5% of the industry is currently utilizing B2B tools to perform sales. In contrast, Dell Computers is a good example of a US company which through its plant in Brazil has been interacting with suppliers and buyers through the Internet. Over 40% of Dell orders in Brazil are booked on the web.

Among the main B2C players are diverse retail companies such as http://www.amelia.com.br/ (Grupo Pão de Açúcar, one of the most competitive Brazilian grocery supermarket chains), http://www.americanas.com.br/ (a major general retail chain), http://www.livrariasaraiva.com.br/ (a leading bookstore chain), http://www.webmotors.com.br/ (for sales of used cars) and http://www.submarino.com.br/ (a top site for books and CDs).

It is estimated that 20% of all Brazilian Internet users have made on-line purchases. Most local Brazilian sites are dedicated to books, music, groceries, electronics, brokerages, banks, airlines, computer software and hardware, and others (including auction sites and virtual automobile dealerships). While books, CDs, and software are still the most frequently purchased items, Brazilian consumers have begun to buy items such as computer peripherals and accessories, cosmetics, vitamins, car accessories, clothes, household items, and toys.

In the C2C segment a number of local on-line auction sites continue to offer their services, e.g. Arremate, Mercado Livre (an affiliate of ebay), and Lokau.

Top Brazilian sites include Submarino (like Amazon) and Mercado Livre (ebay).

Direct sales from the US are subject to customs and duties regulations. Ecommerce companies interested in shipping from the US should review our report on trade regulations at www.focusbrazil.org.br/ccg.

Brazil's e-banking system is well-developed
Due to Brazilian banks' decisions to invest heavily in this space, the country is on the cutting edge in the development of secure e-commerce technology. Through an early focus on PC banking and Internet-based offerings, Brazil has developed one of the most advanced home-banking systems in the world, of which "Bradesco" (the largest private Brazilian retail bank) was the pioneer. Today most high and middle income consumers have access to their banks via direct dial-up or the Internet, performing various transactions such as obtaining checking balances, making transfers, and applying for loans on-line.

E-government – over 95% of tax returns filed on-line
The most visible impact of the Internet revolution in Brazil has been the presence of the Government of Brazil on-line. Brazilians have been filing their federal tax returns via the Internet since 1996. According to Brazil's version of the IRS, 12 million people filed their taxes over the Internet last year (95% of filers), and all corporate returns were filed electronically this year. According to the federal government, more than two thirds of all federal services are available over the Internet through the portal www.Brasil.gov.br. According to the government, the database systems can be scaled sufficiently to cover a broader percentage of the population once the infrastructure is in place. Expenditures to provide Internet access to a majority of the population remain elusive, however, with only spotty disbursement of funds collected from the telecommunications service providers to universalize access.

Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Ebe Raso at ebe.raso@mail.doc.gov.
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html.
- Brazilian Chamber of Electronic Commerce: www.camara-e.net.
- Brazilian Association of ISP (Abranet): www.abranet.org.br.

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Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the generation, transmission and distribution equipment (GTD) market offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

US$ millions	2003	2004 est*	2005 est*
Market Size	$3,875	$3,920	$4,034
Local Production	$3,150	$3,195	$3,290
Exports	$290	$295	$296
Imports (Global)	$1,015	$1,020	$1,040
Imports from US	$255	$255	$260

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
*2004/2005 figures are estimates

Energy: Projected Growth and Regulatory Uncertainty

Brazil has an installed capacity of 88.2 GW. 66.8 GW are hydroelectric and another 18.1 GW are thermoelectric (natural gas, coal and nuclear).

A large majority of electricity generation is in federal and state hands. Over 40% of installed generation capacity is controlled by state owned Eletrobras with approximately 35% more controlled by state owned energy companies. About 25% of generation has been privatized although a number of these privatizations have become controversial and have gone all the way to the Supreme Court for resolution.

The power generation subsector is expected to grow only modestly in 2005, mainly due to a current energy surplus, to the transition to the new electrical power model, and also because of Brazil's complex environmental permit process that has delayed implementation of planned projects.

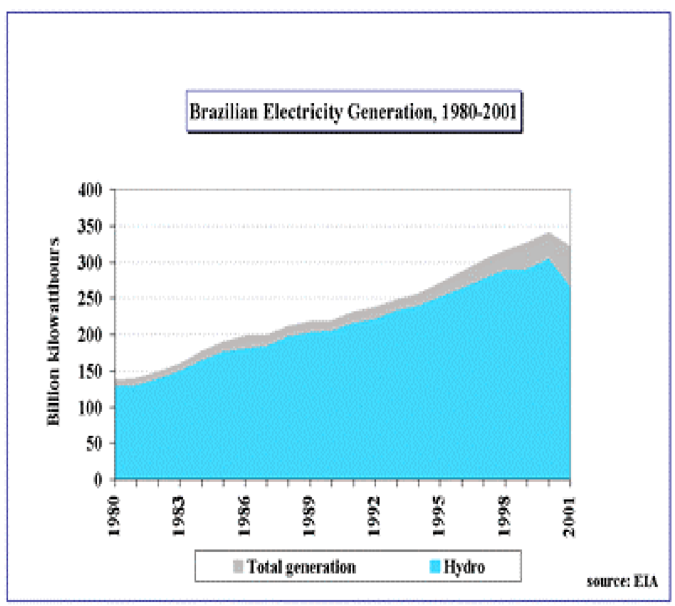
The new electrical power model was approved on March 15, 2004 (Law # 10848), but the main working details were only published in July and August 2004 through decrees. The first power generation auction, following the guidelines of the new regulatory framework, was held on December 7, 2004. This auction, however, was basically to allow generators to contract excess capacity and rebuild portfolios as power sale contracts expire in January 2005.

A more substantial growth in the power generation segment is expected from 2006 onwards, as a result of future auctions of new generating capacities. The Ministry of Mines and Energy (MME) is planning to hold up to three of these tenders. The first has already been scheduled for the first quarter of 2005 and includes projects that will be concluded in five years; The second auction of future capacity will include projects scheduled to start producing power in three years and the third auction will include projects due to start producing in five years. The second auction may include some 3,100MW of power from thermoelectric generators that do not presently have contracts.

There are currently 18 hydropower plants under construction, many of which are facing substantial delays due to environmental problems. When ready, these plants are expected to generate a total of 4,226 MW. Another 25 hydropower plants are at permit stage with a total capacity of 5,909 MW.

Industry contacts and the Ministry of Mines and Energy (MME) are confident that Brazil will not encounter a power shortage before the end of 2006, even if Brazil´s GDP grows 4.5% a year. (Note: In 2002 it grew 1.52% and less than 1% in 2003. For 2004, economists estimate that the GDP will reach 4.5%.).

Although the MME states that the new energy model generation will be competitive, state controlled companies will still likely play an important role. State electricity companies have relatively little investment autonomy as the MME closely oversees their investment plans. Consequently, public-private partnership opportunities can be expected and are considered a possible market access strategy for new-to-market US power companies seeking to enter the Brazilian energy generation market, especially for the hydroelectric segment.



Renewable Energy Generation Prospects
In the Renewable Energy generation subsector, investments are expected to reach about US$2.5 billion from 2005 to 2007 as a result of the "Proinfa" Renewable Energy Incentive Program launched by the MME in 2004. Proinfa gives incentives, such as a 20-year power purchase contract with federal power company Eletrobrás and below-market rates financing from national development bank BNDES for wind, biomass and small-scale hydroelectric projects. Eletrobrás will sign contracts to buy 1,100MW from each source.

Transmission

The energy crisis faced by Brazil in 2001 was greatly exacerbated by bottlenecks in Brazil's transmission system. Accordingly, Brazil seeks to add over 35,000 km of transmission lines and approximately 63,000 MVA of transformer capacity.

In order to make up for the delays in the construction of power transmission lines, ANEEL (National Electric Energy Agency) opened tenders in 2003. Through its subsidiaries (Chesf, Eletrosul, Furnas and Eletronorte), Eletrobras won 4 out of 7 groups of power concession lines totaling 1,260 km, representing 70% of the total auctioned. These lines will cross eight states in southern, southeastern, northeastern and central-western Brazil and are expected to be operational by 2005. These concessions run for 30 years and investments by the consortiums led by Eletrobras are estimated to exceed US$ 370 Million.

Distribution

The power distribution segment is expected to continue to show a slight recovery in 2005 compared to 2004 as a result of the five-year tariff review that started in April 2003 and of higher power consumption levels. (Note: In 2002, total power consumption in Brazil dropped to 1999 levels, or 290 TWh, after having reached 306 TWh in 2000. Such low consumption in 2002 was a direct result of power rationing from June 2001 to February 2002.)

Power consumption habits have gradually begun to recover as of the first semester of 2003, and trade sources expect this trend to continue due to the recent recuperation of the Brazilian economy. As a consequence, the power distribution companies (DISCOs), which saw their revenues shrink in the last two years because of reduced power consumption and high debts contracted in dollars, are expected to prioritize investments in 2004 focusing mostly on reducing technical and commercial power losses. To this end, they are expected to invest in effective electricity measurement controls and in client database management. Additionally, they should continue energy delivery quality programs by installing supervision and control systems to avoid penalties from the Brazilian power regulator (Aneel) (Note: Aneel has recently installed online monitoring systems to track down the frequency and duration of electricity interruptions).

Another area in which the DISCOs will need to invest to meet contractual obligations is the expansion of their distribution networks to reach rural communities. A new MME program has established deadlines on a case-by-case basis. Some power concessionaires will need to conclude their power expansion as early as 2005, and at latest 2007. The new Brazilian Administration is extremely socially oriented and this program is seen as vital to foster jobs and economic development.

US Participation in this Sector

US investment in the Brazilian energy sector is concentrated in power distribution and generation as a result of the country's privatization process that began in 1996. US companies such as El Paso, Duke and AES compete in this market with Spanish (Iberdrola), French (EDF) and Portuguese (EDP) companies.

The strongest competition for US suppliers of GTD equipment originates from locally established multinationals (mostly European and Japanese). The fact that power generation is mostly in the hands of federally and state owned companies contributes to buyer preference for domestic equipment suppliers, as the government-owned power producers tend to follow a buy-local policy.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Regina Cunha at: regina.cunha@mail.doc.gov
- Eletrobras: www.eletrobras.com.br
- Brazilian Ministry of Mines and Energy (MME): www.mme.gov.br
- Brazilian National Electrical Energy Agency: (ANEEL): www.aneel.gov.br

Brazil is one of the world's largest hydroelectric producers with installed capacity of over 66GW.

Franchising

January 2005

Overview

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Biggest Franchising Market in Latin America

After nearly two decades of success in Brazil, the franchising industry still continues to grow steadily. As of 2003 it accounted for 25% of the gross revenue in the retail segment with around 700 franchise chains and 58,000 franchise units generating approximately 500,000 jobs. Brazil's franchise market is the second largest in the Americas (after the US) with annual revenues of over US$ 10 billion.

The most recent figures released by the Brazilian Franchise Association (ABF) show that the franchising sector grew approximately 3.5% from 2003 to 2004. The sector is expected to grow between 3-4% in 2005.

US Franchisors Need to "Tropicalize" Their Operations to Succeed in Brazil

Local Brazilian franchises dominate the market controlling an estimated 90%. However, foreign groups, particularly from the US, are making their way into the market too. We estimate that approximately 70% of foreign franchises are US. The apparent success of local franchise operations is primarily attributed to the speed of service and quality of products offered by these firms.

Strict regulations preventing foreign franchises from remitting royalties to their headquarters contributed to the dominance of Brazilian franchises over their foreign counterparts in the past. However, the reform of the Franchising Law in 1994 has granted greater investing opportunities to foreign franchises.

Foreign franchises are now allowed to remit royalties to their countries of origin. However, US franchising companies should be prepared to adapt their concept in order to meet Brazilian consumer tastes. In Brazil, franchise consultants refer to this process as the "tropicalization" of the franchise. US franchising companies are often advised to find a suitable local partner to help them with the adaptation process. US companies should register their trademarks in the Brazilian market as soon as possible to avoid problems in the future.

US$ millions	2003	2004 est*	2005 est*
Market Size	$9,812	$10,135	$10,540
Local Production	$8,831	$9,121	$9,486
Exports	n/a	n/a	n/a
Imports (Global)	$981	$1,013	$1,054
Imports from US	$687	$709	$737

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
*2004/2005 figures are estimates

According to the ABF, the segments that yielded the most impressive growth between 2002 and 2003 were Sports, Health, Beauty and Leisure (+29%), Hotel and Turismo (+19%) and Furniture, Decorations and Presents (19%). Most of the franchises are already established in the states of São Paulo, Rio de Janeiro, Minas Gerais, Paraná and Rio Grande do Sul.

McDonald's is the largest fast food retail outlet in Brazil, with 36,000 employees working in 1,200 restaurants. Pizza Hut is also a growing presence.

Franchising Law

Brazilian franchising law requires close attention. The law states that franchising companies, or their master-franchisees, should provide all their potential franchisees with a Franchise Offering Circular (Circular de Oferta de Franquia). This document must contain basic information regarding the economic and financial health of the franchising company, as well as information on any pending legal disputes.

Franchising agreements are not subject to the same statutory rules as trademarks, patents and technology transfers. However, franchise contracts are subject to review and approval by Brazil's National Institute of Industrial Property (INPI). INPI is part of Brazil's Ministry of Industry, Foreign Trade and Development. It is not mandatory that franchising agreements be registered in order to be valid, however, to be legally enforceable they must be registered in accordance with "Norm 115/93". Furthermore, if the franchising company is a foreign party, it has to register with the Central Bank in order to remit payments abroad.

Challenges

US Franchises should pay special attention to the various aspects of franchising in Brazil to avoid, as much as possible, future legal disputes with local partners/franchisees. There have been various serious problems and failures of franchise operations for different reasons such as lack of knowledge of the market, lack of planning, poor choice of franchisee, but also macroeconomic factors. These cases have resulted in huge financial loses for the US and the Brazilian companies, and a tremendous negative impact on the brand, both in Brazil and internationally, creating a negative image of US franchisors entering this market.

An important aspect of Brazil that US franchisors need to be aware of is the judiciary system. Based on the Roman law, this system naturally provides many options for appealing decisions at every level. In addition, Brazilian courts can take as much as 10 or 12 years to decide on a case. Knowing that, litigants can take advantage of the situation by not collecting any fees and keeping the business running while the image of the corporation gets hurt with negative reports in the mass media and among the investment and franchise communities.

Important Notes for Franchisors

- Litigation make take 10 years to resolve.
- A new franchise law is being proposed that may offer partial solutions for new businesses.
- Include an anti-competitive clause in the contract.
- Conduct due diligence on personal and business background of potential franchisees/partners. Pay special attention to former litigating franchisees. Some of them may be tied up in a non-competitive clause in the previous contract and the results of the ongoing litigation may affect his/her other businesses;
- Offer limited financial resources. Ideally, franchisee should have at least 75 percent of the necessary capital and finance only the remaining 25 percent. For the financed portion two points must be taken in to account. The first is that loans in US dollars are high risk because of fluctuating exchange rates, and the second is that loans in local currency have very high interest rates and long-term loans are almost nonexistant.
- Avoid growing too fast with the same franchisee – the more stores in the hand of one franchisee, the higher the risk.
- Franchisees should have an entrepreneurial background and be used to being managed by cash flow.
- Consider including a clause in the contract for the use of arbitration in case of legal disputes.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Paulo Rodrigues at: paulo.rodrigues@mail.doc.gov
- US Commercial Service in Brazil: www.buyusa.gov/brazil
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Brazilian Franchise Association (ABF): www.abf.com.br
- Brazilian Central Bank: www.bacen.gov.br
- Brazilian National Institute of Industrial Property (INPI): www.inpi.gov.br

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US$ millions	2003	2004 est*	2005 est*
Market Size	$483**	$1,395	$1,100
Local Production	$280	$809	$640
Exports	n/a	n/a	n/a
Imports (Global)	$203	$586	$460
Imports from US	$102	$281	$230

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates
**The market decreased significantly in 2003 due to major government cutbacks in highway investment.

Trade spurs investment in Transportation

Global economic forecasts indicate that trade between North America and Latin America will increase significantly in coming years. Trade is expected to more than double, from 260 million tons to 560 million tons, by 2020. Coordinated policies to promote efficient and secure hemispheric trade transport will be needed to accommodate this growth. These policies must consider many factors, including the degree of national infrastructure development and intermodal system connectivity, technology deployment, institutional arrangements to support trade transport development, and effective cargo and vessel security systems.

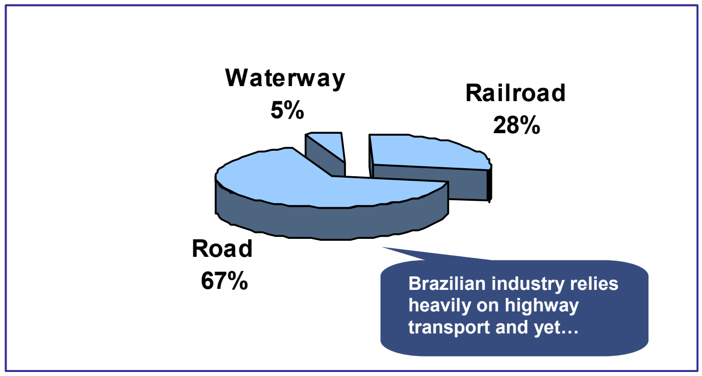
Allocated investment resources for transportation infrastructure, in the Brazilian government's Bi-Annual Investment Plan (2004-2007), were US$ 11.9 billion. European companies are poised to capture a large share of the proposed investments by offering package deals that include long-term financing. Unfortunately, US companies are not taking full advantage of alternative financing sources offered by the government, particularly by Ex-Im Bank (www.exim.gov), which could greatly increase their chances of selling US-made products.

Investment in the Brazilian infrastructure is both inevitable and crucial as the country endeavors to expand its share of global export transactions. The official export forecast for 2006 is US$ 100 billion. The government's Public Private Partnership project (PPP) will undoubtedly alleviate some of the pressure for government expenditure enabling the private sector to participate in those investments that are required in order to lessen existing bottlenecks and improve system efficiency.

Opportunities for Investment in the Highway Sector

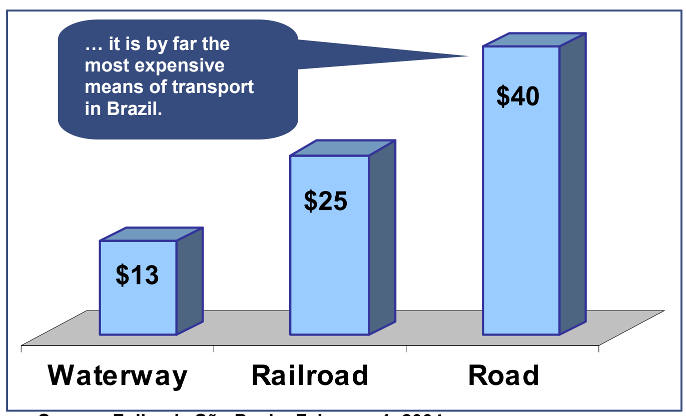
Brazil has roughly 1.5 million km's of highways making it the 12th largest road system in the world. However, only slightly more than 10% of the system is paved. An ongoing privatization program is gradually bringing investment to the main cargo and passenger highway routes, with substantial upgrading of service quality.

Excluding waterways, rivers, and coastal shipping, 75% of the country's cargo is transported on highways, suggesting



Source: Folha de São Paulo, February 1, 2004

Brazilian Soybean Transport to Port by Mode*



Source: Folha de São Paulo, February 1, 2004

Average Cost (US$) to Transport Soybeans 1,000 km in Brazil substantial inefficiencies, although railroads are gradually winning back heavy, long-distance freight.

Through the end of 1999, federal, state and municipal privatization programs had granted 39 concessions with investment commitments of US$6 billion. In this first stage some 10,000 km's of federal and state roads were turned over to private operators. Private companies operating 39 highway concessions invested US$ 700 million through 2000. This amount represents 12% of the investment required until the end of the concessions, which is 20 years on average. Privatized highways are now safer and offer more service to users. They have repaved long stretches of highways and renovated signs. Operators aim to incorporate modern technology into the network system, to reach European and U.S. interstate highway benchmarks.

So far, the Highway privatization program is aimed at roughly 10% of the 164,000 km of paved roads, and concession auctions have been held for less than half of the planned number. Companies operating the highways already privatized are expected to invest US$5.3 billion on improvements of roads over the next two decades. Many opportunities are foreseen as new highway sections are tendered.

The Brazilian government plans to continue its highway privatization program opening up new opportunities for direct and indirect investments. It will privatize an additional 10,000 km's of federal highways, turn over 13,000 km's to state control, and rebuild 14,000 km's of federal highways.

Avança Brasil (The Brazilian Development Plan) calls for construction, duplication and improvement of the following federal and state highways:

- Fernão Dias (BR-381) - connecting two of Brazil's most important state capitals, Belo Horizonte (MG) and São Paulo (SP). The cost of duplicating this highway is estimated at US$1.8 billion.
- Mercosul - duplication of highways that connect São Paulo to Brazil's southern states and Uruguay and Argentina, US$2.2 billion.
- BR-364/163 - rebuilding of 520 km, US$40.5 million.
- São Paulo Beltway - construction of the first sector, Beltway West, is under way. The complete Beltway, to be built in four sections, will require US$ 1.7 billion of investment. Many of these projects will involve substantial concessions, either for construction and operation or just for operation.

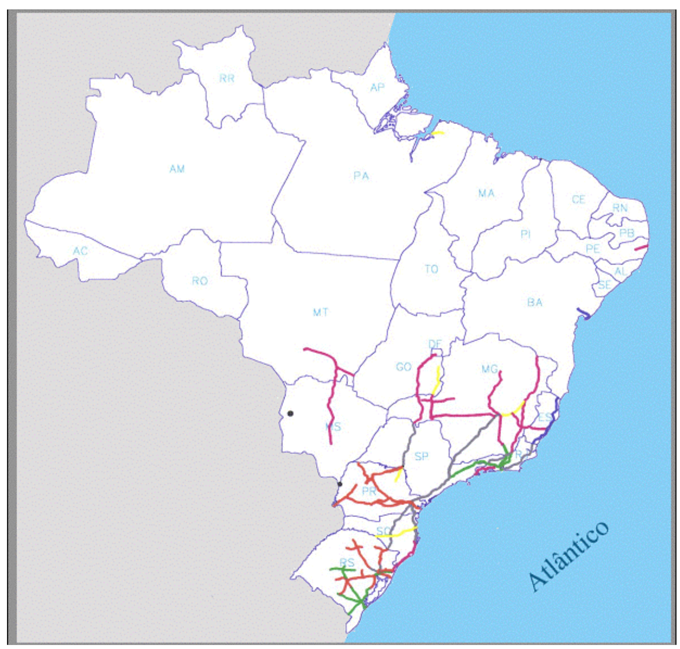
Business Opportunities

- Highway operation - acquisition of concessions through public auction.
- Highway, tollbooth, service plazas and other civil construction.
- Construction and operation of transshipment terminals.
- Manufacture/supply of asphalt, concrete and electrical wire.
- Telecommunications - fiber optic installation along highway.
- Electronic signs and safety equipment supply.
- Medical and rescue equipment supplies.
- Building and operating distribution and business centers.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Ruy Baptista at: ruy.baptista@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html

GoB Agency for Land Transportation (ANTT) Map showing approximately 9,000 miles of highways already privatized or being considered for concessions. Note that almost all of these highways are in the industrialized southeast.



To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The US Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements.

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BRAZIL

Top US Export Prospects

Insurance
January 2005

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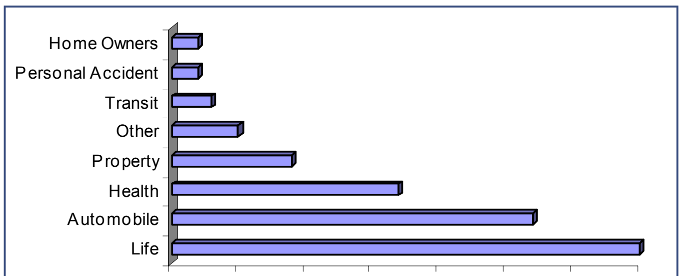
Brazil: Largely a Life, Health and Automobile Market

The Brazilian insurance market has reached US$ 20.6 billion, representing approximately 3% of the Brazilian GDP. This equates to almost half of South America's insurance market. The Brazilian insurance industry has been growing for the last six years at rates higher than that of the GDP. In fact, the industry's size has doubled since 1994. Life and health insurance were the fastest growing sectors.

The market's potential for growth continues to attract foreign companies. In 1994, Brazilian companies controlled 95% of the sector. Today, foreign companies retain approximately 40% of the sector. US insurers currently have a 21% market share.

Major Lines of Coverage as a % of Market Share



Source: Fenaseg

Regulatory Environment

The Brazilian federal government formulates policy for the private insurance system and does so through the following organizations:

The National Council of Private Insurance (CNSP)
CNSP sets insurance policy guidelines and rules. It regulates insurer creation, organization, and activity. In addition, it establishes guidelines for insurance contracts, reinsurance rules and sets the industry's general accounting and statistical standards.

US$ billions	2003	2004 est*	2005 est*
Market Size	$17.2	$20.6	$24.7
Foreign Insurer Participation	$5.4	$6.5	$7.8
US Insurer Participation	$1.4	$1.7	$2.1

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
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CNSP is compromised of representatives from the Ministry of Finance, the Office of the Superintendent of Private Insurance (SUSEP), IRB (the state owned reinsurer), the Brazilian Central Bank, as well as representatives of the Ministries of Justice and of Planning, and four private insurance companies.

Superintendent of Insurance (SUSEP)
SUSEP is a separate independent agency subject to the Ministry of Finance via CNSP. It monitors the insurance and private pension market through its solvency index. It establishes and monitors operational risk limits, supervises technical reserves and regulates open pension funds. It also regulates insurance brokers, which are the main distribution channel of insurance in Brazil, accounting for 70% of sales. The remaining sales are made through banks.

IRB-Brasil Resseguros SA
IRB is a 51% state-owned company that is currently the sole Brazilian reinsurer at this time. In the late 1990's, Legislation was passed approving the privatization of IRB and the ending of its monopoly. However, Brazil's main socialist party, the PT, launched a court injunction that halted the opening up of the market. As Brazil's current President is himself a member of the PT, we do not anticipate that the reinsurance market will be opened up until at least 2006 and possibly longer.

Several foreign reinsurers who had established branches in Brazil have left the country. Nevertheless, a number of major reinsurers continue to have offices in Brazil, primarily in Rio de Janeiro (where IRB is based), in order to provide IRB with reinsurance.

New Regulatory Agency
The creation of a regulatory agency for the insurance sector in Brazil is under study. Similar agencies exist in Canada, Japan, and Scandinavia. In theory, the new agency would bring together a number of existing institutions including SUSEP, CVM (the Brazilian equivalent of the US Securities and Exchange Commission) and a secretariat of the Ministry of Finance that oversees pension fund administration.

Insurance Market Segmentation

The Brazilian property and casualty insurance market is dominated by automobile insurance. This segment continues to represent one of the best opportunities for US insurers already operating in Brazil, or seeking to enter Brazil, as the number of cars in Brazil is forecasted to grow dramatically. In 2002 Brazil had an estimated 1 car for every 8.8 inhabitants. Some insurers predict this ratio will increase to 1 car for every 4.4 Brazilians by 2005.

Brazilians have tended to purchase very little insurance and most Brazilians still do not purchase homeowner's insurance. It is likely that, once interest rates drop to single digit levels and Brazilians begin to purchase homes on credit, this sector will develop as lenders make insurance a prerequisite for lending.

Another segment that presents opportunities for US insurers is the pension plan system. The Brazilian pension plan system is composed of public social security and private complimentary plans.

The public social security system is administered by the National Social Security Institute (INSS). The government has recently reformed this system; however, it still runs a deficit.

The private system consists of both open and closed funds. Closed funds are for employees of specific companies and institutions. The largest closed funds are for employees of large state owned companies such as Banco do Brasil and Petrobras. Open funds are available to the general public. These funds operate as an insurance product. Clients pay premiums or "contribute" to their plan that then pays them an annuity once they have retired. Insurance companies and the insurance subsidiaries of banks are the main providers of open funds.

Two additional types of funds are now being offered in Brazil. Both are similar to US 401(k) plans:

- The Individual Programmed Retirement Fund (Fundo de Aposentadoria Programada Individual, FAPI). FAPI is a long-term savings and retirement fund for individuals, which is operated by financial institutions. It allows small and medium-sized companies to supplement their employees' social security plan.
- The Tax-Free Benefits Generation Plan (Plano Gerador de Benefícios Livres, PGBL) is offered by insurance companies and is very popular due to its tax incentives.

Opening an Insurance Company in Brazil

US companies wishing to enter the Brazilian insurance market are advised to do so through a joint venture, acquisition or partnership with a local company, or to open a subsidiary. Under current legislation, insurance companies must be organized as corporations (Sociedade Anônima - S/A), and submit to SUSEP an application to operate as an insurance company. The insurance company may not engage in activities other than insurance.

In order to set up a new insurer, investors must first capitalize an insurance company, which will require an estimated investment of at least US$ 5 million. Although legislation is somewhat vague, it appears that foreign firms cannot set up managing general agents, as is common in other countries, without first capitalizing the company.

Foreign insurance companies may set up a representative office in Brazil, appointing an individual or an entity to act as its representative. However, a representative office may not issue policies. Current legislation now allows foreign insurance companies to hold the entire equity participation or voting stock in a Brazilian insurance company.

Major US insurers currently operating in Brazil include Aetna, AIG, Chubb, Cigna, Hartford, Liberty Mutual, MetLife, Mony and Prudential. As well, a number of large US insurance brokers such as AON and Marsh and McLennan also have significant operations in Brazil.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Patrick Levy at: patrick.levy@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Brazilian Superintendent of Insurance www.susep.gov.br
- Brazilian National Association of Insurers www.fenaseg.org.br
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Iron and Steel

January 2005

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Brazil is a Critical Steel Supplier to the World

Brazil is the eighth largest steel manufacturer of the world, with approximately 52% of the steel production of Latin America and 3.3% of the world in 2003. The total Brazilian crude steel production in 2003 was 31,1 million metric tons, compared to 29.6 Mt in 2002. The total Brazilian imports of steel products in 2003 were US$ 456 million or 550,000 tons, compared to US$ 465 million or 672,346 metric tons in the previous year. Total Brazilian exports of steel products in 2003 were US$3.86 billion or 12.98 Mt, compared to US$ 2.93 billion or 11,69 Mt.

The latest available statistics show that for the period January-September 2004, the domestic production is up 5.6% compared to the same period of the previous year, in terms of quantity. For the same period, domestic sales are up 15.3% (in quantity), exports are down 0.2% in quantity, but are up 41.4% in value. Imports are down 8.0 % in quantity, but are up 11.7% in value.

Approximately 85% of the Brazilian crude steel production is made in integrated steelworks, whereas 15% is made in non-integrated mills; 92% of it is made in continuous casting process and 8% in conventional casting; 79% is made in oxygen (BOF) process, and 21% using electric process. Regarding types of steel products made in Brazil, nearly 60% of the total output is flat products and 40% is long products.

Brazilian manufacturers are concentrated in the states of Minas Gerais (37.5% of total production), Rio de Janeiro (23.1%), Espirito Santo (16.5%) and São Paulo 16.7%. The largest manufacturers are Usiminas (4.5 Mt in 2003); its subsidiary Cosipa (4.1 Mt in 2003), Gerdau (7.0 mt), CSN (5.3 Mt), CST (4.8 Mt), Belgo Mineira (2.9 Mt), Villares (775,000 t), Barra Mansa (420,000 t), and V&M Tubes (551,000 t). The only Brazilian producer of stainless steel is Acesita, with an output of 745,000 t in 2003. This company, along with Belgo Mineira and CST, belongs to the Arcelor Group.

US$ millions	2003	2004 est*	2005 est*
Market Size	$8,143	$8,500	$9,130
Local Production	$11,547	$13,000	$13,800
Exports	$3,860	$5,000	$5,200
Imports (Global)	$456	$500	$530
Imports from US	$40	$30	$35

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
*2004/2005 figures are estimates, don't include mfg equipment

Steel Manufacturing Running at Full Capacity

All Brazilian steel manufacturers are operating at full capacity, due to the very strong demand in the international market and high steel prices since last year. All of them are expanding output. The leading Brazilian association of this sector, the Brazilian Steel Institute (www.ibs.org.br) officially announced in April 2004 that the manufacturers plan to invest US$ 7.4 billion during 2005 to 2008. This amount does not include the two large feasibility studies currently underway for new steel mills in the states of Ceará and Maranhão, that may bring the total to US$ 10 billion.

Brazilian steel manufacturers are open to precision manufacturing equipment and technical consulting that would allow them to increase throughput.

But Brazil Still Imports Some Key Components

Brazilian imports of steel products from the U.S. during 2003 were 16,155 tons, the same amount as in 2002; or US$40.5 million (FOB). During 2001 they were 22,657 metric tons or US$66 million. The most-exported products from the U.S. to Brazil have been seamless tubes and pipes, with 42% of the total value exported in 2002. The largest exporters of steel products to Brazil in 2003 were Argentina (34% of total, in terms of weight), Germany (14%), France (11%), Russia (5%), Spain (4%), Italy (3.5%), and the U.S. (3%). Brazilian imports of steel are normally of very high tech products (special steel), which are not manufactured locally. During January-September 2004, U.S. exports to Brazil were US$ 18 million, or 4.7% of the total amount.

The local manufacturers of steel are very competitive, and export to all parts of the world. Nearly 43% (or 12,99 Mt) of all output of 2003 was exported, being 2.1 Mt or 16.4% to the U.S. Brazilian consumption per capita of steel is about 100 kilogram per inhabitant per year; which is relatively low by international standards. It is assumed that, as the overall economic situation of the country improves, the domestic consumption of steel will increase at a higher rate.

Best Prospects for US Steel Suppliers

There are opportunities in this market for three types of US suppliers. First, Brazilian steel manufacturers have a positive view of US technology and are interested in a variety of precision equipment that would allow them to reduce downtime and achieve new levels of quality control. In addition, specialty consulting services for such areas as managing downtime and minimizing changeover costs might find Brazil an attractive market.

Second, the fact that Brazilian manufacturers are running at capacity means that there are short term shortages on the market for a variety of steel products, allowing US manufacturers a point of entry. And third, there continue to be specialty steel products that Brazilian manufacturers don't yet produce in sufficient quantity to serve domestic market demand.

Our iron and steel team in Brazil can help interested steel equipment suppliers, manufacturers, and technical consultants do further research on these opportunities.

Additional Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Mauricio Vasconcelos at: Maurio.Vasconcelos@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Brazilian Steel Institute: www.ibs.org.br

Demand for specialty steel products has created an export opportunity for US suppliers.

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Top US Export Prospects

IT Hardware/Electronics
January 2005

Overview

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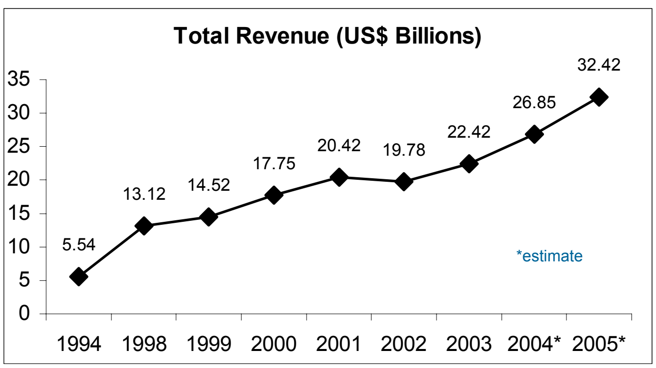
IT Hardware: One of Brazil's Fastest Growing Sectors

The IT hardware industry is one of Brazil's fastest growing sectors. According to the Brazilian Electrical and Electronics Industry Association (ABINEE), total revenue in the industry reached US$ 22.4 billion in 2003. This value corresponds to a 13% increase from the previous year, when revenue totaled US$ 19.8 billion.



Semiconductors: Industry's Top Import in 2004

Twenty nine percent of Brazilian exports in the IT hardware industry were destined for the United States in 2004. Although this figure represents a 17% reduction in comparison to previous year (US$ 2.15 billion), the US market is still the largest export market. The forecast for the end of year 2005 is the United States to continue to be the main market.

Brazilian imports of IT hardware products in 2004 totaled US$ 12.5 billion, an increase of 27% in comparison to previous year (US$ 9.9 billion). This increase can be attributed to a 63% increase in imports in the electric/electronic components segment.

The total amount of electric-electronic products exported overseas increased around 9 percent, from US$ 4.7 billion in 2003 to US$ 5.1 billion in 2004. Cellular phones accounted for a significant reduction of the products exported in 2004, at US$ 551 million (a 48% decrease). The forecast for 2005 is that the number of cellphones to be exported will increase significantly since some contracts have already been signed. The main increase of exports in 2004 was in the Power Generation, Transmission, and Distribution segment (a 65% increase).

US$ millions	2003	2004 est*	2005 est*
Market Size	$22,420	$26,850	$32,420
Local Production	$17,223	$19,400	$23,420
Exports	$4,680	$5,100	$5,500
Imports (Global)	$9,877	$12,550	$14,500
Imports from US	$2,614	$2,569	$2,400

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

Brazilian imports of electric-electronic products in 2004 totaled US$ 12.5 billion, a increase of 27% in comparison to previous year, when imports totaled US$ 9.9 billion. This increase can be attributed to a 63% increase in imports in the electric/electronic components segment. Semiconductors only had a 35% increase in 2004, a total of US$ 2.32 million.

Many US exports arrive at the city of Manaus on the Amazon River. Manaus, a Free Trade Zone (FTZ), hosts a variety of manufacturing operations such as this cellular plant.

Total US exports of IT hardware globally increased approximately 7% between 2002 to 2003, from US$ 4.4 billion to US$ 4.7 billion. Cellular phones accounted for a significant portion of these exports totaling US$ 1.1 billion, or 23%.

46% of Brazilian exports in the IT hardware industry were destined for the United States in 2003, making it Brazil's largest export market and accounting for US$ 2.15 billion in 2003.

Revenues by Segment In US$ billions	2003	2004 est*	2005 est*
Electronic/Electronic Components	$2.4	$2.7	$3.2
Computers	$5.9	$6.8	$8.2
Electrical Supplies	$1.6	$2.0	$2.4
Home Appliances	$4.4	$5.0	$5.9
Industrial Automation	$0.6	$0.7	$0.8
Industrial Equipment	$2.95	$3.3	$3.9
Power Generation, Transmission, and Distribution	$1.6	$1.9	$2.2
Telecom	$3.1	$4.5	$5.7
TOTAL REVENUE	$22.4	$27.0	$32.4

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates

Perspectives and Opportunities for 2005

Revenue in the IT hardware sector is expected to increase 18% in 2005, from US$ 26.4 billion in 2004 to approximately US$ 30 billion in 2005. Brazilian imports in this sector are projected to grow about 10%. The production of cellphones at Manaus Free Trade Zone is forecast to keep growing, resulting in increased demand for electronic subcomponents.

Brazil will continue to import computer hardware and peripherals due to the fact that local production for such parts has not kept pace with local market demand. Currently, the US supplies 57 percent of Brazilian imports of computer hardware components, a figure that is expected to remain similar in 2005. The computer hardware sector in Brazil is likely to continue expanding as industry and commerce continue important automation upgrades, and the number of home users continues to grow. Therefore, there are opportunities for US exporters of electronic hardware and peripherals. Best prospects include laptops, scanners, printers, DVDs, handheld devices, network products, storage devices and quickcams.

Global players, including IBM, Compaq, ABC Bull, Hewlett-Packard and Dell Computers, locally manufacture most PCs sold in Brazil. Other major manufacturers are Itautec, Microtec, UIS and Tropcom. Companies manufacturing PCs locally receive fiscal benefits through the "Basic Productive Process" and through the "Informatics Law", which assures more competitive prices to local PC manufacturers.

In the electric-electronics industry, the segment that will have the highest revenue per area in 2005 will be the Telecom sector, due to the expansion of cellular telephony (26%). Because the telecommunications sector added two more new transmission lines, we believe that the demand for electronic components used in this sector will grow significantly.

In addition, investments are expected to continue in the Power Generation, Transmission, and Distribution segment, consolidation of the civil construction growth and implementation of the Federal Government project "Connected to PC." If the Federal Government does intensify a crackdown on the grey market for PCs, currently estimated to supply 70% of all computers used in Brazil, then demand for imports could increase in this sector as well.

McDonald's restaurants in Belo Horizonte, Brazil offer broadband connections to the Internet. Since PCs are costly, such public internet access points continue to be popular, particularly among gamers.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Bernhard Smid at: bernhard.smid@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- ABINEE – Brazilian Association of the Electronic Industry: http://www.abinee.org.br
- ABRANET - Brazilian Association of Internet Service Providers: http://www.abranet.org.br
- ANATEL – Brazilian Telecommunications Agency: http://www.anatel.gov.br
- CAMARA E-NET- Brazilian Chamber of Electronic Commerce: http://www.camara-e.net
- ABIMAQ – Brazilian Association of Industrial Machinery: http://www.abimaq.org.br
- ABES - Brazilian Association of Software Companies: http://www.abes.org.br
- ASSESPRO - Brazilian Association of Data Processing Companies: http://www.assespro.org.br
- EAN/Brasil - Brazilian Association of Commercial Automation: http://www.eanbrasil.org.br
- TIA – Telecommunications Industry Association: http://www.tiaonlinel.org
- TELEBRASIL - Brazilian Association of Telecommunications: http://www.telebrasil.org.br
- ABERIMEST – Brazilian Association of Telecom Companies and Professionals: http://www.aberimest.org.br
- ABEPREST – Brazilian Association of Telecommunication Service Providers: http://www.abeprest.org.br
- ABRAFORTE – Brazilian Association of Telecommunication Multi-service Net Provider: http://www.abraforte.org.br
- ABTA - Brazilian Association of Pay TV: http://www.abta.com.br
- ABECORTEL – Brazilian Association of Telecommunications Engineering Services Companies: http://www.abecortel.org.br
- TecSoft – Software Technology Center: http://www.tecsoft.softex.br/

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Medical Equipment

January 2005

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the medical equipment market offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

Brazil: Largest Purchaser of Medical Equipment in S.A.

Brazil is the largest medical equipment market in South America. The total market for medical equipment in Brazil should continue to expand through 2005. Brazil is both a major medical equipment producer and importer. This industry comprises a number of related products and services including:

- Medical equipment and devices.
- Dental equipment and products.
- Radiological and diagnostic imaging equipment.
- Laboratory equipment.

Brazilian medical equipment revenues in 2003 reached an estimated US$ 1.6 billion, which represents an increase of 53% since 1999. The United States accounts for approximately 50% of the import market. US sales have traditionally been made through Brazilian agents, distributors and importers who sell to hospitals and clinics.

There are few high-quality Brazilian manufacturers of advanced medical products so Brazil's reliance on imports should continue for some time. Local buyers view US and other foreign products (mainly Canadian and European) as having comparable quality and reliability. Thus, financing terms often become the differentiating criteria in making a sale. There are a number of financing tools available to help US exporters structure a more competitive financing structure. Please see the Export Finance report within this Country Commercial Guide for more details on financing tools.

Market Distribution is Largely Controlled by Regional Firms

There are some 3,000 equipment and supply distributors in Brazil, but only 3.3% of these firms can be considered large companies. Excluding the direct sales networks of individual multinational manufacturers such as GE, virtually all distributors are regional rather than national.

In addition to the attractive size of the Brazilian medical market, US exporters should consider the opportunities offered

US$ millions	2003	2004 est*	2005 est*
Market Size	$1,602	$1,700	$1,840
Local Production	$974	$1,090	$1,245
Exports	$223	$290	$335
Imports (Global)	$851	$900	$930
Imports from US	$361	$350	$360

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

by Mercosul, and use Brazil as a "spring board" for export into Argentina, Uruguay and Paraguay. Since compulsory product registration before sale is required for all of Mercosul, including Brazil, US exporters should consult a local lawyer/consultant before signing a contract with any agent/distributor.

An interesting trend in Brazil is the growing market for home health care products that has increased dramatically in recent years. Brazil has approximately 150 home health care companies compared to approximately 1,440 in the US. In Brazil, these companies are increasingly becoming viewed as good ways to cut hospitalization costs while offering better services to patients. Nowadays, health insurance companies are responsible for paying 99% of the costs of home care treatment. Accordingly, we see the market for home health care products growing dramatically for many years to come. Brazil's Regional Nursing Council is currently developing procedures on how to regulate this market, including standards for health professionals.

The US is a major exporter of diagnostic imaging equipment such as GE Healthcare's 1.5 Tesla MRI.

Private entities such as universities and even religious organizations represent new opportunities for both US equipment and training/management service suppliers. Interested US suppliers should look for opportunities beyond the larger communities of São Paulo, Rio de Janeiro and Minas Gerais. Excellent opportunities exist in the northeastern states of Bahia, Ceará, Pernambuco, Paraíba and Rio Grande do Norte and the southern states of Paraná, Santa Catarina and Rio Grande do Sul.

Brazil's currency devaluation has slowed government investment plans for public hospitals. However, the continued expansion of the Brazilian private health care sector, particularly HMO's (private health care plans) continues to push market growth. New opportunities for US exporters abound, particularly for a variety of equipment particularly:

- More advanced medical equipment.
- Disposables.
- Diagnostic devices.
- Implants and components.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Jefferson Oliveira at: jefferson.oliveira@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Brazilian Ministry of Health: http://www.saude.gov.br
- ABIMO - Brazilian Association of Dental, Medical and Hospital Equipment: http://www.abimo.org.br
- SINAEMO - Syndicate of Medical, Dental, Hospital and Laboratory Industries: http://www.abimo.org.br
- ABIMED – Brazilian Association of Equipment, Products and medical Supplies Importers: http://www.abimed.org.br

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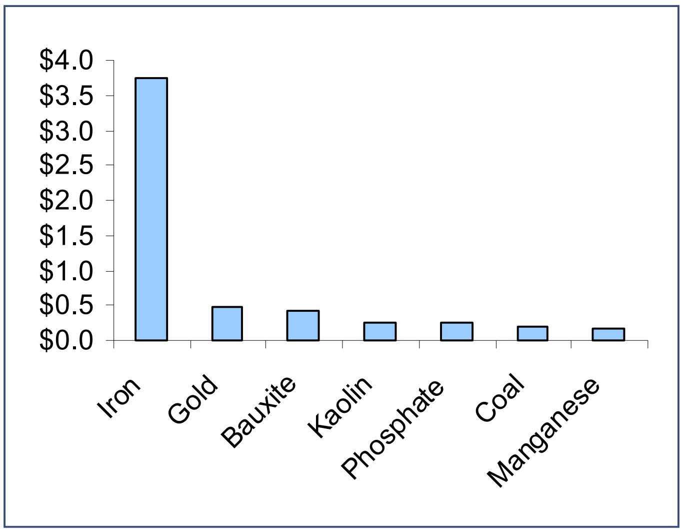
Brazil: World's 5th Largest Mineral Producer

The Brazilian market for mining equipment is one of the largest in the world. Brazil is a major producer of several minerals, especially iron ore, gold, bauxite, kaolin, manganese, phosphate rock and niobium. It is the fifth largest mineral producer in the world. The mineral potential of the country has not been fully assessed yet and ongoing geological surveys may still find significant deposits. There are also many well-known deposits, especially of gold, that are not being currently exploited, but that could be developed in the future if world market prices increase.

Most of the mining activities in Brazil are open pit. The local market for underground mining equipment is relatively small, when compared to the market for open pit mining. In the long term (three to seven years), however, there will be a trend to increase the number of underground mines.

Brazilian Mineral Production (US$ billions)



US$ millions	2003	2004 est*	2005 est*
Market Size	$3,150	$3,400	$3,655
Local Production	$3,300	$3,550	$3,800
Exports	$380	$400	$425
Imports (Global)	$230	$250	$280
Imports from US	$98	$100	$108

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

The largest installed mining operations are for iron ore, with total output of more than 230 million metric tons (mt) of processed ore in 2003. This represents nearly 22% of the world production. Brazil is also a large producer of bauxite (15 mt/y in 2003), gold (50 t/y), kaolin (2.2 mt/y), manganese (2.24 mt/y), niobium (with 94% of the world reserves), potash (700,000 t/y), phosphate (5 mt/y of concentrate), zinc (120,000 t/y of metal) and cement (40 mt/y).

CVRD: Companhia Vale do Rio Doce

The largest single purchaser of mining equipment in Brazil is Companhia Vale do Rio Doce (CVRD). It is the largest mining company in Brazil and the third largest in the world. It is responsible for approximately 35% of Brazil's mineral output based on value. CVRD represents an excellent opportunity for US mining equipment suppliers due to its size and high level of professionalism.

CVRD was privatized in May 1997 and there are no longer any state-owned mining operations in Brazil. CVRD produces nearly 76% of all Brazilian iron ore output. It is also a top player in gold, bauxite, aluminum, copper, potash, manganese and ferro-alloys. CVRD also provides 60% of all railroad transportation in Brazil (by weight). It is also one of the largest suppliers of logistics services, has three large power plants, and is building another four.

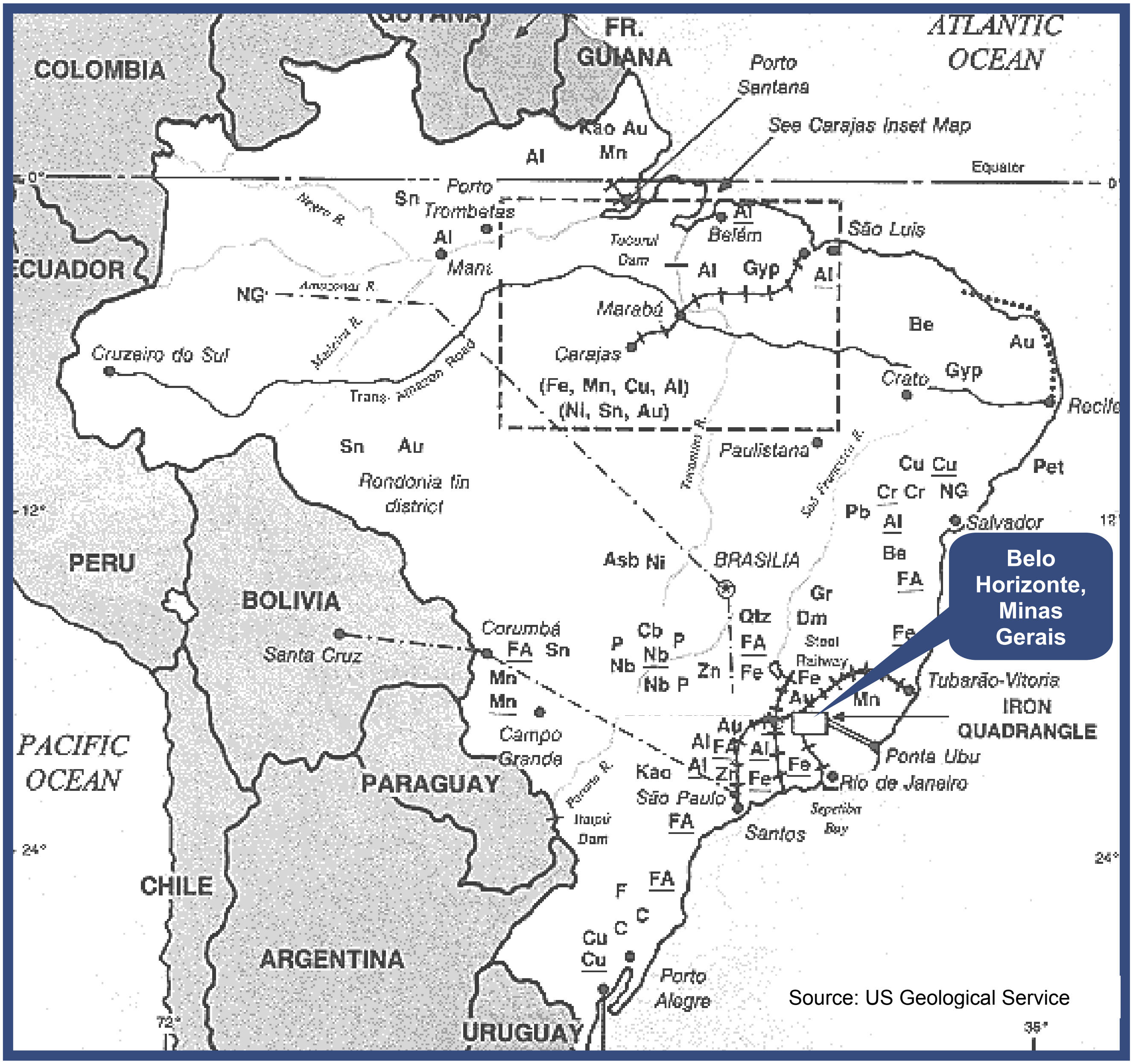
Product/Service Opportunities in Multiple Segments

A number of large new mine investments are planned for the next three years. This will create significant opportunities for US firms in a variety of segments of the mining industry. The following examples, broken up into mineral types, are merely illustrative of the potential for US exporters in this sector.

IRON ORE:

- CSN is investing US$ 308 million to expand production to 40 mt/y from currently 17 mt/y, US$ 341 in a pelletizing plant, US$ 100 million in railroad infrastructure and US$ 132 million in port infrastructure.
- Samarco is planning to invest US$ 500 million to build another pelletizing plant and iron ore pipeline.
- CVRD is expanding the output of most of its mines.

Map of Brazil with Main Mineral Outcrops. Mining is focused In Brazil's South East which includes the states of Minas Gerais, São Paulo, Espírito Santo and Rio de Janeiro. The sector is primarily centered in Brazil's third largest city, Belo Horizonte, the state capital of Minas Gerais (General Mines), which is found within the IRON Quadrangle on this map. A large majority of CVRD's operations are within the state of Minas Gerais.



COPPER:
The USCS in Brazil recently published an in-depth market research report on copper and gold mining opportunities for US companies (Mining Projects in Brazil: Copper and Gold).

- CVRD has five large copper projects:
  - Sossego, started in July 2004, for 140,000 t/y of copper metal equivalent and 3 t/y of gold metal, total investment of US$384 million.
  - Alemão/Igarape Bahia, start-up of first phase in early 2005 and second phase in 2006, for 186,000 t/y of copper content, total investment of US$600 million.
  - Alvo 118, start-up in Dec. 2005 for 45,000 t/y of copper cathodes, total investment of US$25 million.
  - Cristalino, estimated start-up in 2006, for 150,000 t/y of copper content, US$ 500 million total investment.
  - Salobo, still in feasibility study, possible start-up after 2007 for 200,000 t/y of copper metal and total investment of more than US$ 1 billion.

BAUXITE:

- CVRD's new bauxite mine is scheduled to supply 4.5 mt/y by 2006, in a project of US$ 83 million.

GOLD:

- AngloGold plans to expand production from 380,000 to 600,000 ounces/year in Brazil (awaiting conclusion of feasibility study).
- Smaller projects are underway by Wheaton River (Canada) and Jaguar Mining (US).

TIN, TANTALUM AND NIOBIUM:

- The Paranapanema group has proposed a US$ 72 million tin, tantalum and niobium project to Brazil's National Development Bank (BNDES). Financing approval is pending.

Top Prospects for US Exports

The market in Brazil for turn-key products is weak as Brazil has a number of efficient mining equipment manufacterers/ assemblers. There are however, excellent opportunities for US firms to export parts and components to these Brazilian equipment manufacturers. Product and components include the following:

- Parts and components for earth-moving equipment, including tires.
- Parts and components for belt conveyors.
- Parts and components for crushers and grinding equipment.
- Laboratory instruments.
- Drill bits and other parts and components for drilling equipment.

EXPOSIBRAM – Brazil's Mining Show September 2005

Mining equipment companies who are serious about selling in Brazil should plan to attend this event. Held biannually, the last Exposibram in 2003 drew 35,000 visitors, 1,200 of whom were convention delegates. Although all booth space has been allocated for 2005, the US Commercial Service in Belo Horizonte has reserved booth space for US companies and offers a variety of services, ranging from free initial counseling to full levels of exposition participation.

The event will be held September 20-23 2005 in Belo Horizonte, in the heart of Brazil's mining country. For further information on this show, please don't hesitate to contact mauricio.vasconcelos@mail.doc.gov. Mr. Vasconcelos is our mining team leader, has led delegations to Exposibram in the past, and can, in fluent English, assist you with any inquiries you may have.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Mauricio Vasconcelos at: mauricio.vasconcelos@mail.doc.gov
- US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Brazilian Ministry of Mines and Energy (MME): www.mme.gov.br
- Brazilian Mining Institute (IBRAM): www.ibram.org.br
- Brazilian Geological Service: www.cprm.gov.br
- CVRD: www.cvrd.com.br

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Oil & Gas: Dramatic Changes Create Opportunity

The Brazilian oil and gas industry represents one of the most attractive sectors for US business not only due to its size but also due to a number of opportunities created by structural changes to the industry. Particularly, state-owned Petrobras's exploration and production monopoly ended in 1998 and over 35 international petroleum firms have subsequently entered Brazil.

Since 1998, 343 oil blocks have been awarded during 6 rounds of oil concession offerings, the most recent of which was in August 2004. This is not to say that the importance of Petrobras has diminished. To the contrary, Petrobras was awarded the majority of these new concessions and it is expanding dramatically. A large portion of opportunities for US firms are linked to servicing or supplying Petrobras.

The total Brazilian market for oil and gas equipment and services was US$ 12.9 billion in 2004, of which US$ 3.7 billion is represented by imports. The Brazilian import market for US oil and gas equipment/services in 2003 is estimated to have surpassed US$ 2 billion, and the outlook for the next few years is positive despite a stronger emphasis on local equipment content in future Petrobras purchases and in new oil concession contracts.

The Importance of Petrobras

Petrobras, currently Brazil's largest company with net revenues of US$ 32 billion (R$ 95.7 billion) in 2003, is seeking to become a major global energy firm with objectives to both internationalize its operations as well as to dramatically increase production and refining within Brazil so that Brazil becomes oil self sufficient by 2007.

In order to achieve this growth Petrobras plans to invest US$ 34.3 billion between 2003 to 2007 to increase capacity to 2.2 million barrels of oil a day (bopd) from 1.59 million bopd produced in 2003 of which 253,000 bopd were exported. By October 2004, Petrobras had produced 1.44 million bopd and exported 200,270 bopd. From January – October 2004 Brazil refined a total of 1.42 million bopd (1.05 million barrels of domestic oil and 369,000 of imported oil).

US$ millions	2003	2004 est*	2005 est*
Market Size	$12,385	$12,865	$13,418
Local Production	$8,860	$9,200	$9,660
Exports	$65	$65	$65
Imports (Global)	$3,590	$3,730	$3,823
Imports from US	$1,975	$2,050	$2,100

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates based on trade sources
* 2004/2005 figures are estimates

Despite the dramatic increase of new participants in the sector, much of Brazil's new production will likely be in partnership with Petrobras. For example, Shell/Enterprise's Bijupirá-Salema project recently started oil production in a partnership agreement with Petrobras. Shell is the operator with an 80% share in the project. Other oil companies, including El Paso, Ipiranga, Queiroz Galvão, Starfish, and Repsol YPF currently hold oil development production projects in Brazil.

Much of Brazil's oil production has shifted offshore to platforms such as this one, owned by Petrobras.

Upstream Overview

Oil exploration and production (E&P) is expected to account for 70% of Petrobras' annual investments. A total of five new oil production platforms are planned to add to the 98 Petrobras currently has in its portfolio.

Opportunities are attractive for U.S. suppliers of offshore and onshore equipment and services, including flexible pipes, oilwell completion systems, pumps, valves, drill pipes, subsea services and others.

U.S. companies interested in supplying equipment or services to Petrobras must register at the Petrobras website (www.petrobras.com.br - "ABC of Registration/Vendors List Registration Guide" available in English).

Such companies as Chevron-Texaco, Halliburton, Devon, EnCana, Newfield, Wintershall, Kerr-McGee, Statoil and Partex (many of which are already Petrobras partners) are expected to invest a total of US$ 6.4 billion until 2007 to fulfill their contractual obligations as a result of having won oil concession rights.

Overall, there are currently 50 onshore and offshore drilling rigs with ongoing activities in Brazil, most of which are operated by Petrobras. In the last few years, oil companies have ordered over 400,000 miles of seismic lines and drilled approximately 200 offshore wells. Between 2004 and 2005, Petrobras plans to drill about 40 development wells.

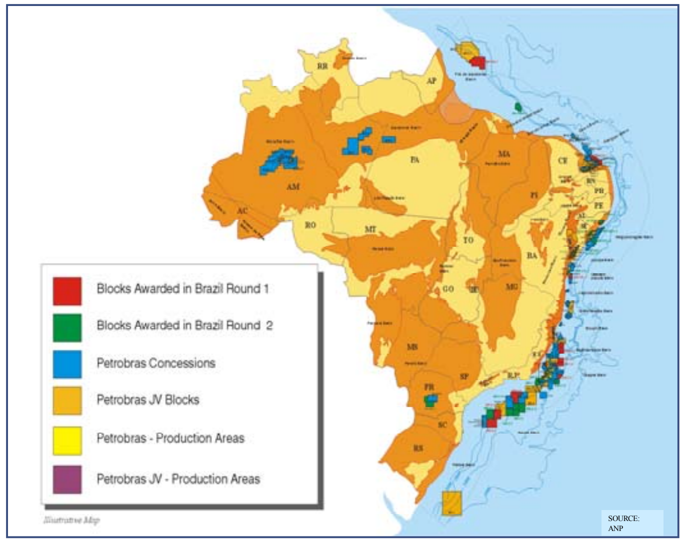
The commercial success rate in exploration activities has decreased in recent years when compared with the Gulf of Mexico, Nigeria or Angola. The only exception was in 2001 when Petrobras discovered the giant Jubarte/Cachalote fields (970 million barrels of oil) in the BC-60 Block located in northern Campos Basin along the southern coast of the State of Espírito Santo.

More recently, in May and June 2003, Petrobras found a total of 4 new fields in the same promising BC-60 Block (one containing reserves estimated at 630 million barrels and three with an estimated 500 million barrels). These 4 new discoveries, added to the 2001 Jubarte and Cachalote findings, may translate into a total of 2.1 billion barrels of oil in reserves.

Downstream Overview

Downstream, Petrobras plans to disburse a total of US$ 7.6 billion by 2007 to improve the quality of its oil products (mainly diesel and gasoline) and to double refining capacity to meet the increased oil production over the next years. Part of these investments will be allocated to operational safety and environmental upgrades.

Petrobras's refining capabilities have historically focused on light crudes. Increasingly, however, Petrobras has seen a dramatic increase in the production of heavier crude due to the



shift to offshore production. Petrobras has reached its heavy crude refining capacity and is currently forced to swap heavier crudes for lighter crudes abroad. Consequently, Petrobras has plans to build a new refinery in Brazil, although a decision has yet to be made as to the site, date and refinery dimensions.

Natural Gas Overview

Demand for natural gas in Brazil has increased dramatically during the past 5 years. This increased demand has resulted from demand increases in all consumer areas but particularly from energy generation. Brazil's energy production shortfall of 2001 and the Brazilian federal government's strategy to increase installed energy capacity have resulted in a variety of new natural gas generation projects, some already installed and others pending.

However, it is important to note that projected natural gas pipeline construction and distribution systems have not proceeded as quickly as planned . This delay has left some completed generation facilities without natural gas supplies.

Nevertheless, Petrobras has ambitious natural gas network expansion projects to bring natural gas to underserved markets within Brazil. The southeastern and the northeastern gas pipelines, for example, will be 1,100 miles long with estimated construction costs of US$ 1 billion. Overall plans entail US$ 3 billion in investments for a total of 4,000 km in expansion of the natural gas network.

Petrobras has also recently discovered 419 billion cubic meters of natural gas reserves in the BS-100 and BS-500 blocks at Santos Basin, which are located just over 100 km from the coast. This amount represents an approximate 180% increase over Brazil's proven gas reserves which are currently estimated at 231 billion cubic meters.

Sectorial Challenges: Tax and Local Content

US oil and gas firms entering Brazil are likely to face strategic challenges created by protectionist sentiments. Petrobras and Brazilian federal and state governments are increasingly being seen to favor local firms or firms that have significant levels of local content.

For example, during the fourth oil concession offering held in June 2002, concessions were awarded to bids that had high levels of local content. Local content for exploration concessions awarded averaged 40% and 55% for oil development concessions.

Accordingly, although foreign suppliers tend to be more price competitive and offer advanced technology not yet available in Brazil, US companies are encouraged to seek partnerships with local suppliers.

These protectionist sentiments have also contributed to changing tax regimes and US investors should be aware of the fact that they may face further changes. For example, in an attempt to attract foreign investors to the oil and gas sector, the Brazilian Government created a special federal tax exemption regime (Repetro) in 1999 that has been rescheduled to last until 2020. Although domestic suppliers were also eligible for Repetro, foreign suppliers have benefited the most as they were exempted from state sales tax (ICMS) as well.

However, as of June 2003, the State of Rio de Janeiro abolished the ICMS exemption for foreign suppliers on the imports of oil and gas equipment in an attempt to create a level playing field for Rio de Janeiro based equipment manufacturers and to increase the state's tax collection revenues.

After a strong lobbying effort from drilling service providers operating in Rio de Janeiro, in February 2004 the state goverment issued a new decree allowing ICMS exemptions for suppliers of oil rigs and other equipment used in exploration and drilling activities. The state also extended this benefit to suppliers of rigs and spare parts to oil development phase projects whose contracts had been signed prior to June 2003.

Oil companies see such regulatory unpredictability as a deterrent to further investments in Brazil. They advocate an extension of the Repetro regime while also urging the Brazilian Government to reconsider current fiscal terms as a whole for E&P activities. They argue that the trend in Brazil is to find heavy oil in ultra-deep water, which increases the risk and costs and reduces the rewards.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Regina Cunha at: regina.cunha@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Petrobras: www.petrobras.com.br
- Brazilian Ministry of Mines and Energy (MME): www.mme.gov.br
- Geological Service of Brazil (Serviço Gelógico do Brasil): www.cprm.gov.br
- Brazilian National Petroleum Agency (ANP): www.anp.gov.br

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the pharmaceuticals market offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

World's 14th Largest Pharmaceutical Market

The Brazilian pharmaceutical industry is comprised of 370 companies, representing a total market value of US$5.2 billion in 2003. It is the 14th largest pharmaceuticals market in the world and the second largest in Latin America after Mexico. Despite stagnating pharmaceutical sales over the past three years, Brazil is still among the largest 5 pharmaceutical markets in the world in terms of unit sales.

Most Brazilian health insurance companies do not reimburse patients for prescription drugs. Consequently, over 80% of drug purchases are made by individual users. One of the most problematic areas of the pharmaceutical sector in Brazil is the lack of access to essential drugs by large portions of the country's population due to financial constraints. Estimates vary, but various sources suggest that 40-50% of the population have limited or no access to needed pharmaceuticals.

About 80% of pharmaceutical companies operating in Brazil are national, but they are only responsible for a minority of domestic sales. Foreign firms are mostly from the United States and Europe and their Brazilian subsidiaries are responsible for supplying 70% of the market, not including direct sales to the Government.

Multinationals have expressed concerns about the slow to non-existent approval of pharmaceutical patents in Brazil. Approximately 18,000 pharmaceutical patents are pending approval in Brazil. For more information on this issue, please see our report on intellectual property rights (IPR) available at www.focusbrazil.org.br/ccg.

In 2003, Brazil's pharmaceutical sales dropped slightly to US$ 5.2 billion from US$ 5.55 billion in 2002. This is due in part to a softening of the market, however, currency devaluation made this drop more dramatic. Imports still represent a large share of the market. According to Brazil's Pharmaceutical Industry Syndicate (SINDUSFARMA), total Brazilian imports of pharmaceutical products in 2003 were approximately US$ 1.5 billion. This reflects a 0.1% decrease over the previous year's level. US exports account for approximately 20% of Brazilian pharmaceutical imports.

US$ millions	2003	2004 est*	2005 est*
Market Size	$5,200	$5,560	$5,890
Local Production	$3,968	$4,352	$4,670
Exports	$280	$312	$340
Imports (Global)	$1,512	$1,520	$1,560
Imports from US	$301	$320	$330

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

Pharmaceutical Taxes Among Highest in World

Taxes applied on medicines in Brazil are among the highest in the world. The Government collects over US$ 1 billion in taxes from the pharmaceutical sector. The cascading tax method applied on manufactured goods in Brazil affects several industries, and is one of the most important topics that private industry has raised with the Government. The process aimed at reducing the taxes on pharmaceutical production is slow and bureaucratic. According to Government statements, however, taxes applied on pharmaceutical products are expected to be decreased in order to make drugs more affordable for the population.

Opportunities for US Firms

Brazil's Pharmaceutical market represents an excellent opportunity for US firms for a variety of reasons. The import market for pharmaceuticals in Brazil is significant. Brazil imported US$ 1.5 billion in 2004 and we see this figure growing very slightly in 2005. More importantly, once taxes on pharmaceuticals are reduced, the market is likely to increase dramatically as many would-be consumers who currently forgo medication due to financial constraints will begin purchasing needed medication.

Product Registration and Approval

US firms seeking to enter the Brazilian market must register their products with Brazil's National Agency for Sanitary Health (ANVISA). ANVISA is an agency of the Brazilian Ministry of Health, the Brazilian equivalent of the U.S. Food and Drug Administration. More information on the registration process is available in English from ANVISA's web site:
http://www.anvisa.gov.br/eng/drugs/registration.htm.

Generic Pharmaceutical Products

US firms seeking to enter the Brazilian market should be aware that the local generic drug market is growing rapidly. Generic drugs first entered the Brazilian market in 1999. Since then, the sector has grown rapidly and already accounts for 8.6% of sales, nearly US$ 500 million. Nearly all generic production is purchased by state public health care systems as part of the government's program to distribute medicines to the poorest. It is expected that by 2008, the generic market will reach US$ 1 billion in sales. Local generic drug manufacturers in Brazil operate at world-class levels.

Opportunities for US firms to export raw materials to Brazil are abundant. Approximately 85% of the raw materials used in the production of generic drugs in Brazil are imported. In addition, we see major demand for equipment and services associated with the construction of pharmaceutical manufacturing plants, representing another opportunity for US exporters.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Jefferson Oliveira at: jefferson.oliveira@mail.doc.gov.
- US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Brazilian Agency for Sanitary Health: www.anvisa.gov.br

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BRAZIL

Top US Export Prospects

Pollution Control

January 2005

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the pollution control industry offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

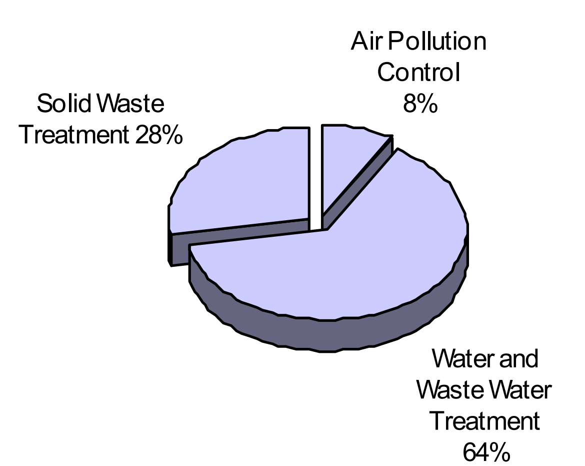
Strong Growth Expected in Medium Term

Environmental experts estimate that Brazil's environmental technologies market (including equipment, engineering, consulting services and instrumentation associated with pollution control and cleanup projects) equaled US$ 1.8 billion in 2004. The market for air pollution control products was US$ 70 million, for water and wastewater treatment US$ 1.1 billion, and for solid waste treatment US$ 630 million.

Investments in environmental protection technologies are expected to increase substantially in the coming years. In addition to the driving forces affecting this market (increased environmental awareness of the population, increased number of ISO 14001 certified companies in Brazil and compliance with the existing environmental legislation), Brazil is a signatory of the Kyoto Protocol. Although it is not required to cut emissions under the treaty since it is a developing country, Brazil's carbon sequestration projects should attract international funds.

An example of such projects is the NovaGerar in Rio de Janeiro, which consists of the construction of a sanitary landfill and the use of the methane gas in a thermoelectric energy plan.

Brazil's Pollution Control Industry by Segment



US$ millions	2003	2004 est*	2005 est*
Market Size	$1,500	$1,800	$2,100
Local Production	$1,125	$1,350	$1,575
Exports	$75	$90	$105
Imports (Global)	$450	$540	$630
Imports from US	$135	$162	$189

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

Public Sector is Brazil's Largest Purchaser

In Brazil, the public sector is the largest market for pollution control equipment and services. Municipalities are responsible for water supply and treatment, sewage collection and treatment, as well as for the collection, transportation, disposal and treatment of all municipal waste (residential, commercial and public).

The market for solid waste management technologies presents promising market opportunities for US firms in the near future. Brazil's largest city, São Paulo, is in the process of selecting the company or consortium that will provide it with cleaning services and waste disposal and treatment for the next 20 years. Long-term concessions will be granted in other major Brazilian cities, stimulating investment in the sector.

According to the Brazilian Association of Urban Cleaning and Special Waste Companies (ABRELPE), 96,302 metric tons per day of residential and public waste are disposed of in dumps. Investments required to build sanitary landfills for adequate waste disposal are estimated at US$ 267 million. The average operational costs of sanitary landfills (including leachate treatment and provision for final closure) are US$ 13.3 million per month.

Required investment in the ongoing improvement and maintenance of water and sewage treatment services in Brazil is estimated to be US$ 3 billion per year for at least 20 years. However, investment is being held back due to a number of factors including a lack of a legal framework and clear governmental policy for sanitation and the generally poor financial health of most water utilities and municipalities. In 2002, total investment in water and sewage was approximately US$ 933 million. Investment dropped an estimated 30% in 2003 and is likely to remain at this level for 2004.

Private Sector

Although smaller than the public sector, the private sector is an important market for pollution control technologies. Some of the driving forces affecting this market include stricter environmental legislation, pressure from the community and clients, introduction of environmental management practices by a growing number of industries and an increased number of companies requiring ISO 14001 certification. In 2003, the number of ISO 14001 certified companies in Brazil reached 1,500.

Hazardous waste management activities have attracted some leading international companies to Brazil such as the French groups Suez and Vivendi and the Argentinean group Sideco. According to the Brazilian Association of Hazardous Waste Treatment Companies (ABETRE), the current market size for treatment, recovery and disposal of hazardous waste is estimated at US$ 100 million annually, about 5 times less than the market's estimated potential.

Best prospects for US pollution control products and services include:

- Construction of sanitary landfills.
- Waste to energy projects.
- Recycling technologies.
- Clean up of contaminated sites.
- Renewable energy sources.
- Environmental management technologies.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Teresa Wagner at: teresa.wagner@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Brazilian Association of Urban Cleaning and Special Waste Companies: www.abrelpe.com.br
- Brazilian Association of Hazardous Waste Treatment Companies (ABETRE): www.abetre.org.br

Controllerless landfill leachate, condensate and dewatering pump manufactured by Ann Arbour, Michigan-based QED Environmental Systems Inc.

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Ports and Shipping

January 2005

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Trade Spurs Transportation Investment

Global economic forecasts indicate that trade between North America and Latin America will increase significantly in coming years. Trade, alone, is expected to more than double, from 260 million tons to 560 million tons, by 2020. Coordinated policies to promote efficient and secure hemispheric trade transport will be needed to accommodate this growth. These policies must consider many factors, including the degree of national infrastructure development and intermodal system connectivity, technology deployment, institutional arrangements to support trade transport development, and effective cargo and vessel security systems.

Allocated investment resources for transportation infrastructure, in the Brazilian government's Bi-Annual Investment Plan (2004-2007), were US$ 11.9 billion. European companies are poised to capture a large share of the proposed investments by offering package deals that include long-term financing. Unfortunately, US companies are not taking full advantage of alternative financing sources offered by the government, particularly by Ex-Im Bank (www.exim.gov), which could greatly increase their chances of selling US-made products.

Investment in the Brazilian infrastructure is both inevitable and crucial as the country endeavors to expand its share of global export transactions. The official export forecast for 2006 is US$ 100 billion. The government's Public Private Partnership project (PPP) will undoubtedly alleviate some of the pressure for government expenditure enabling the private sector to participate in those investments that are required in order to lessen existing bottlenecks and improve system efficiency.

Opportunities for Investment in Ports

Approximately 93% of Brazilian international trade is done through ocean freight, making investment in ports a top priority for the Government of Brazil. Until 1990, Portobrás (Empresa Brasileira de Portos S.A.) the federally owned port administration company was responsible for virtually all aspects of public port administration and policy. This control extended to tariff policy and even decisions concerning new investments. Upon the demise of Portobrás, the Brazilian public port system was restructured into eight federally owned companies in various Brazilian states (the current local Port Authorities), five state concessionaires and one private port concession. In February 1993, the so-called Port Modernization Law (Law 8,630/93) was promulgated, decentralizing, deregulating and reducing state control of the sector. According to this law, the port sector is to be managed through the issuance of tenders for the leasing of terminals and other port facilities, and the establishment of private concessions.

US$ millions	2003	2004 est*	2005 est*
Market Size	$284	$434	$580
Local Production	$192	$232	$348
Exports	n/a	n/a	n/a
Imports (Global)	$91	$201	$232
Imports from US	$32	$81	$92

Exchange rate of R$ 2.96/US$ 1.00
Statistical Data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

Duty exemptions exist for key port upgrade imports
US suppliers should be aware that an unparalleled opportunity exists in 2005 for exports to upgrade ports. The Brazilian Government has recognized a need for significant imports to both make operations more secure and more efficient. As a result, it has made several categories of imports duty-exempt for port upgrades. Interested companies should contact Ruy.Baptista@mail.doc.gov for more details on qualifying.

Source: Ministry of Transportation

Brazil's Largest Port: Santos, São Paulo State

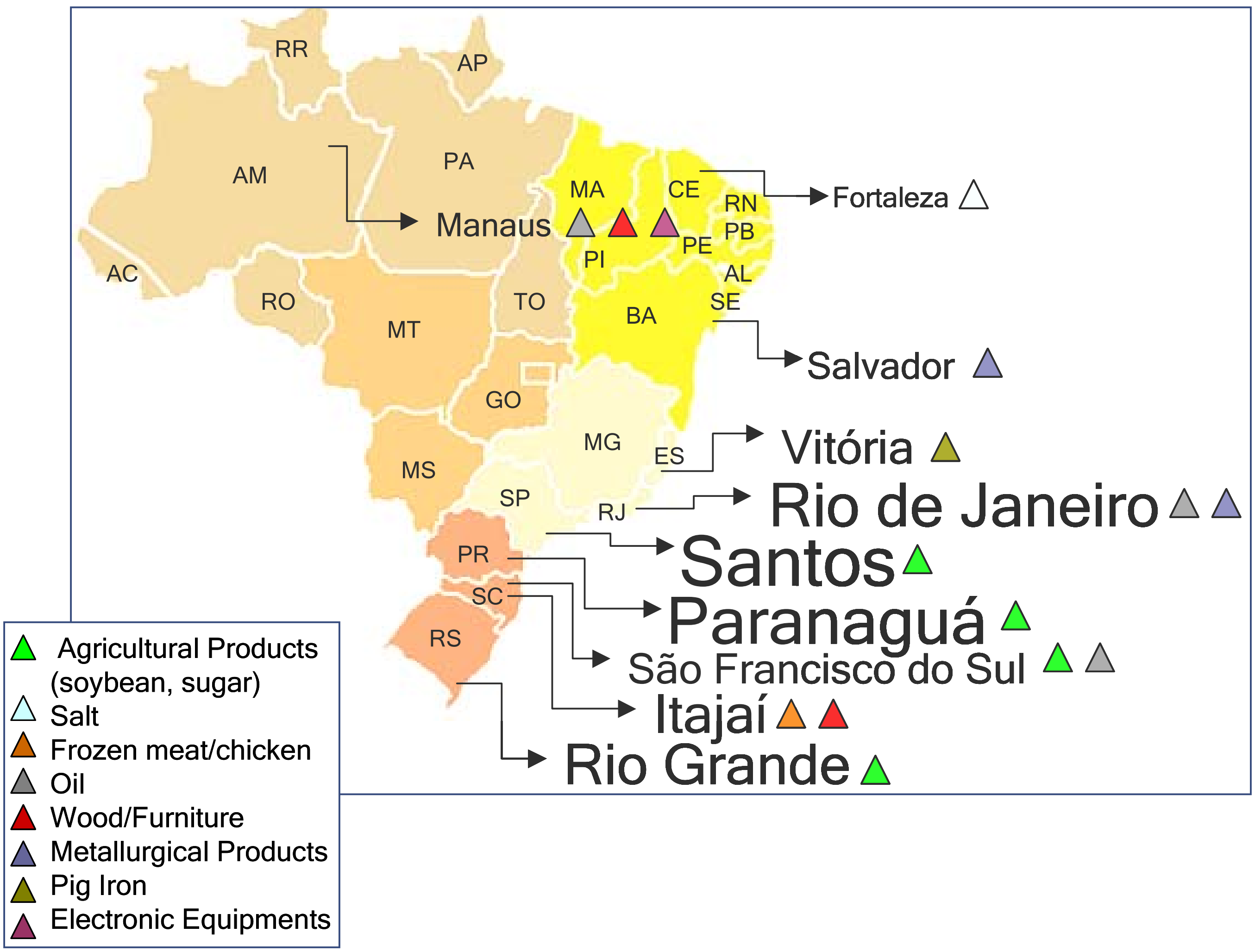
The privatization and removal of regulatory impediments to competition has already taken place in the logistics and maritime express cargo sector. This has resulted in significant investment. This sector has already seen an estimated US$ 2.5 to US$ 3 billion in investments.

Port Location

The ports of Rio de Janeiro, Santos and Rio Grande in the south have become important container terminals with container gantry cranes for loading/discharging 20' and 40' containers. They are equipped with mobile machines for handling containers, an extensive paved yard for stacking and storage, and offer easy access to rail and road transport. The port of SUAPE Industrial Complex, located in the eastern-most part of Brazil, has one of South America's most important deep-water ports. SUAPE will be able to dock vessels up to 170,000DWT and has an operational depth of 14.5 meters.

Ports such as Fortaleza, Salvador, Ilheus, Vitoria, and Paranagua also handle large numbers of containers with conventional shore cranes and/or ship's gear. Some have specific berths with priority for container vessels, but they are as yet without container gantry cranes. They do, however, have mobile equipment for handling the container units on shore.

Map shows major port activity in Brazil by product type. Text size is relative to port volume. Map shows Brazil's largest 10 ports based on volume. SUAPE is currently the 19th largest port in Brazil and accordingly does not appear.



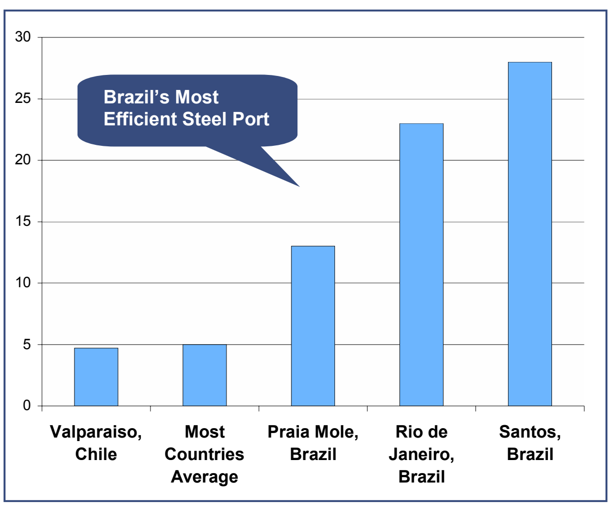
Medium and Long Term Investments

Port modernization is an ongoing process. Although Brazilian companies generally have world-class cargo logistics and are constantly seeking to improve cost-effectiveness, they operate under an unfavorable fiscal regime. This hampers their operations and reduces the overall competitiveness of Brazilian exports. Achieving costs standards comparable to international norms will only be achieved in the medium term. Brazilian efforts to achieve competitive shipping costs are significant and translate into excellent opportunities for U.S. service consulting firms.

According to the Brazilian Container Terminal Association (Associação Brasileira de Terminais de Containers – Abratec), the private sector has invested $400 million in 10 affiliated terminals since 1995 and expects to invest $150 million until 2007. The association foresees an 8.8% annual growth in container transportation at the terminals starting in 2004.

Estimated investment necessary to bring the Brazilian ports to international standards is US$ 1.6 billion. The so-called "Brazilian Cost" places the cost of shipping in Brazil 20% above the international average. The cost of loading and unloading a vessel represents 37% of the total operational cost of a Brazilian port. In order to modernize ports, operators need to invest in:

- Additional security and control equipment.
- Traffic control equipment.
- Yard management equipment and software.
- Additional cranes and material handling equipment.



Port Costs for Steel Per Ton in US$

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Ruy Baptista at: ruy.baptista@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- US Ex-Im Bank: www.exim.gov
- Brazilian Ministry of Trade and Development: www.desenvolvimento.gov.br

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BRAZIL

U.S. COMMERCIAL SERVICE
United States of America Department of Commerce

Top US Export Prospects

Railroads
January 2005

Overview

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Trade spurs investment in Transportation

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Allocated investment resources for transportation infra structure, in the Brazilian government's Bi-Annual Investment Plan (2004-2007), were US$ 11.9 billion. European companies are poised to capture a large share of the proposed investments by offering package deals that include long-term financing. Unfortunately, US companies are not taking full advantage of alternative financing sources offered by the US government, particularly by Ex-Im Bank (www.exim.gov), which could greatly increase their chances of selling US-made products.

Investment in the Brazilian infrastructure is both inevitable and crucial as the country endeavors to expand its share of global export transactions. The official export forecast for 2006 is US$ 100 billion. The government's Public Private Partnership project (PPP) will undoubtedly alleviate some of the pressure for government expenditure enabling the private sector to participate in those investments that are required in order to lessen existing bottlenecks and improve system efficiency.

Opportunities for Investment in the Railroad Sector

We expect to see an increased focus on expansion and modernization of the railroad infrastructure in Brazil in the coming years. While Brazil has traditionally relied less on railroads for the transport of freight and passengers than other countries, its determination to develop the interior, the fact that certain agricultural products and commodities are best served by rail, and the political impediments faced in improving roads all bode well for increased investment in this sector. Opportunities for direct export to Brazil include both new and

US$ millions	2003	2004 est*	2005 est*
Market Size	$405	$741	$639
Local Production	$235	$429	$371
Exports	n/a	n/a	n/a
Imports (Global)	$170	$312	$269
Imports from US	$104	$157	$129

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

reconditioned equipment. Opportunities also exist for foreign direct investment in railroads, equipment, and logistics services.

After the privatization of the rail sector in the late 1990's, freight shipment by rail increased 20% on average, billings increased 75%, and more than US$ 500 million was invested in the recuperation of permanent way and the refurbishing and purchasing of rolling stock.

The type of freight being shipped is also changing. Now food and beverage pallets, containers, paper and pulp and even automobiles are being shipped by rail. In order to achieve this, new specialized rolling stock was purchased and terminals were improved.

CVRD's Vitoria-Minas Line transporting iron ore.

Source: Ministerio de Transporte

Private consortiums, which include a number of US participants, invested US$ 2.5 billion in Brazilian concessions. Noel Group, Brazil Rail Partners, Railtex International Holding, Ralph Partners, and BankBoston are some of the US groups participating in the these concessions. US suppliers are expected to capture 25% of the market, as there is a local preference for US technology and product. It is estimated that Brazil's railroad sector will require US$ 5 billion over the next thirty years.

Railroad companies are focusing their investments on important export corridors, particularly the Mercosul corridor but also corridors to other non-Mercosul neighboring countries.

In the North and Northeast, for example, integration and improvement of regional systems is the primary focus of investment.

According to sector analysts, investment in the railroad industry will remain strong for the next few years. Railroad companies published estimates indicate that over US$ 416 million was invested in 2001, an increase of 56% over the previous year. Ferronorte, a large investor, had a US$ 98 million loan approved in 2001 by the Brazilian Development Bank (BNDES). These funds were dedicated to finance the second stage of the Alto Taquaril project, in the state of Mato Grosso (MT).

Brazil's Rail System Highlighting Main Railway Networks, including Municipal Lines

Source: www.transportes.gov.br

Ministry of Transportation's Expansion Plan

The Ministry of Transportation has concluded a project to revitalize Brazil's railways that includes investments of R$ 10.5 billion. The project divides Brazil's rail network into sections, the first and most critical section has a budgeted of R$ 2.7 billion and was scheduled to be finalized by June 2004. The second section has a budget of R$ 2.5 billion. The project is waiting for the PPPs to be finalized so that this phase can be begin. The first two sections should be finalized by 2007. The final phase, with projected investments of R$ 5.3 billion, will be discussed in 2007. In total, the plan is expected to create approximately 302,000 jobs.

A Variety of Potential Investors

According to the Ministry of Transportation, China is willing to invest up to US$ 5 billion in Brazilian railways, highways and ports. The Ministry reports that China wants Brazil to continue to supply soybeans and other agricultural products at competitive prices. A response to China's offer is being prepared by the Ministry of Transportation, Foreign Relations and Planning, and was supposed to be presented to the Chinese by the end of 2004.

Brazil's private railroad operators also plan to invest millions of dollars in a number of activities including the following:

- Purchase and refurbishment of locomotives.
- Purchase of locomotive spare parts, braking systems, couplings, diesel engine parts, communication systems, signaling systems, track maintenance equipment and services, railroad ties of concrete and wood.
- Remodeling, duplicating and electrifying 3,300 km of railroad tracks, replacing rails and ties, and enlarging and remodeling maintenance facilities.

CVRD (Companhia Vale do Rio Doce), Brazil's largest mining firm, is planning on spending US$ 274 million on its railroad company, Vitoria a Minas (EFVM). US$ 227 million will be used to acquire and rebuild locomotives and railroad cars. The remaining US$ 47 million will be used to buy light equipment and to expand and upgrade their tracks. In addition, 46 railroad cars will be purchased or re-built.

EFVM reported that shipment of iron ore and pig iron has increased considerably in the past years and noted that CVRD's transportation of other cargo is expected to grow 40% by 2004. However, the real growth for this sort of cargo is likely to increase more dramatically after 2004. The company will keep investing in locomotives and rail cars. Some of the rail cars are purchased from domestic suppliers but the locomotives are imported. Brazilian rail car manufacturers have backlog orders to keep them operating at capacity for the next 13 months. Amsted-Maxion from the state of São Paulo, for example, is manufacturing 1,682 railroad cars for Ferrovia Centro Atlantico (FCA), Ferrovia Carajas and Vitoria Minas, all subsidiaries of CVRD.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Ruy Baptista at: ruy.baptista@mail.doc.gov
- US Commercial Service in Brazil: www.FocusBrazil.org.br
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- US Ex-Im Bank: www.exim.gov
- Brazilian Ministry of Transport: www.transportes.gov.br
- National Association of Transporters: www.antf.org.br

BRAZIL

Top US Export Prospects

Security Equipment

January 2005

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the security equipment sector offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

Demand for Safety and Security Equipment Growing Rapidly Due to High Crime Levels

High levels of urban violence and crime, drug trafficking and murders, as well as stricter security measures adopted for international travelers and the proliferation of port and maritime security programs, are contributing to the growth of the safety and security industry in Brazil.

According to local trade contacts, both the public and private sectors in Brazil invest approximately US$ 20 billion per year in safety and security equipment and services. The sector has registered an annual average growth of 10 to 15% percent for several years and is expected to continue to grow at this pace for some time.

There are opportunities for US companies in almost all segments, but it is in electronic security that U.S. firms will find a competitive edge. According to the Brazilian Association of Electronic Security Companies (ABESE), the market for security equipment is an estimated US$ 920 million.

Foreign products account for approximately 56% of total market share and US firms control about 50% of Brazil's import market equating to approximately US$ 245 million. Major competitors are Israel and Japan, each responsible for about 20% of market share.

Best prospects in this segment include:

- Access control equipment, especially equipment that uses biometric technology.
- CCTVs.
- Home security equipment.
- Alarm systems.
- GPS-based monitoring technology.

Residential Security Systems Driving Demand

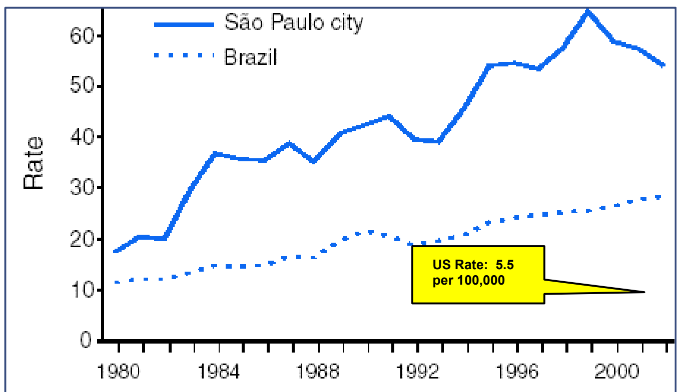
Today, electronic security equipment is not limited to strictly banks or commercial and industrial buildings. The market for residential monitoring systems is expanding rapidly. According to ABESE, the market potential for electronic security systems

US$ millions	2003	2004 est*	2005 est*
Market Size	$840	$920	$1,000
Local Production	$405	$470	$540
Exports	$35	$40	$40
Imports (Global)	$470	$490	$500
Imports from US	$235	$245	$250

Exchange rate of R$ 2.96/US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

for the residential sector is 4.5 million properties for the State of São Paulo alone.

The market for electronic security equipment is heavily concentrated in the States of São Paulo, Rio de Janeiro, Espírito Santo and Minas Gerais. Together, these states account for 63% of the market.



Source: Ministério de Saude

Homicide Rates for Brazil and its largest city São Paulo from 1980 to 2002 (Per 100,000 Population).

Preoccupation with security is warranted.

Vehicle Monitoring Systems

According to *Proteger*, a security industry publication, someone is murdered every hour in the State of São Paulo, and kidnapped every few hours. Kidnap victims are usually surprised at gunpoint while they wait at traffic lights. Often times victims are forced to drive their car around town to make withdrawals from ATM cash machines. The number of cars equipped with some sort of intelligent security device is currently estimated at 250,000 and the number of companies that provide monitoring services increased from 15 in 1999 to 250 in 2004. Industry experts estimate that the number of cars equipped with such devices will reach 500,000 by the end of 2004, still a small number relative to Brazil's 20 million automobiles and light vehicles.

Companies that offer cargo-monitoring services are also growing rapidly. Every year cargo robberies cause losses of approximately US$ 190 million. Autotrac, a leading company that provides truck-monitoring services, saw its revenue increase from R$ 138 million (US$ 47 million) in 2002 to R$ 209 million (US$ 72 million) in 2003.

Port Security

Port security is another growing segment. Although it is not yet clear who will be responsible for the installation of port security equipment, a preliminary analysis indicates that investments of approximately US$ 180 million will be necessary to comply with requirements imposed by the International Ship and Port Facility Security (ISPS) Code.

Law Enforcement Segment as a Potential Market

In the law enforcement segment, there is an immediate need for a variety of products such as:

- Bulletproof vests.
- Ballistic shields and helmets.
- Anti-trauma equipment.
- Non-lethal arms, batons, cuffs.
- Night vision goggles.
- X-ray equipment to detect drugs and explosives.
- Cellular phone blockers.

Most of these items are currently manufactured domestically, but several police officials have indicated recently that domestic quality is not up to international levels.

US companies interested in this market segment will find excellent opportunities if they establish themselves in Brazil, or find a joint venture or technology transfer partner in Brazil. Brazilian legislation for government tenders provides that the lowest bidder wins the contract. Since Brazil has very high import-related costs, it is difficult for foreign suppliers to compete successfully in the market, unless they consider producing locally.

Other Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Marina Konno at: marina.konno@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- Brazilian Association of Electronic Security Companies (ABESE): www.abese.org.br/

U.S. COMMERCIAL SERVICE United States of America Department of Commerce

Top US Export Prospects

Telecommunications

January 2005

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the telecommunications equipment sector offers US companies an excellent opportunity to do business in Brazil. If you do not see an opportunity for your product here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

Brazil - the Telecom Giant in Latin America

Despite severe currency devaluations in the past three years, Brazil remains the largest telecommunications market in Latin America, accounting for almost 35 percent of the region's revenues. Net revenue for telecommunications equipment and services in 2003 was approximately US$ 27.1 billion, a significant increase as compared to 2002 (US$ 23 billion). Services, including carriers, accounted for US$ 24.3 billion of net revenue, while product suppliers (hardware & software) have generated US$ 2.8 billion.

Many multinational players established manufacturing plants in this country to provide products and services to major operators that set up new businesses, increasing jobs in the sector by over 40 percent. As a result, the country today has a telecommunications infrastructure that rivals most others in Latin America.

Trends – Wireless Mobility is Driving Growth

For 2005 sector experts predict an average growth of 11 percent. The Brazilian import market for telecommunications equipment and components reached approximately US$ 883 million in 2004 and is expected to surpass US$ 1.3 billion in 2005. The US decreased its participation in the import market from 34 percent in 2003 to 27 percent in 2004, while the Southeast Asian countries (mostly South Korea and China) increased their participation from 34 percent in 2003 to 42 percent in 2004.

Investments surged after privatization, but have slowed
The privatization process has brought Brazil unprecedented investments of over US$ 27 billion since it started in the mid-1990s. The injection of new telecom investments slowed to approximately US$ 2.2 billion in 2003, compared to US$ 2.4 in 2002, mainly due to prior large investments made by companies in the fixed and wireless segments to comply with the standards established by Anatel, Brazil's telecommunications regulatory body. Some of the biggest US investors have continued to express concern about Anatel's lack of clarity regarding regulations that determine the effective viability of such business models as wireless local loop (WLL).

US$ millions	2003	2004 est*	2005 est*
Market Size	$2,801	$3,436	$3,814
Local Production	$2,156	$2,553	$2,664
Exports	$1,334	$950	$1,055
Imports (Global)	$645	$883	$1,150
Imports from US	$199	$275	$305

Refers to size of telecom equipment market.
Exchange rate R$ 2.96 / US$ 1.00
Statistical data are unofficial estimates from trade sources
* 2004/2005 figures are estimates

Moreover, the turbulence of the economy and the uncertainty about the plans of the newly elected president also contributed to the slower pace. However, for 2004 the industry expects an injection of an additional US$ 4.6 billion, mainly from carriers committed to introducing GSM services in the country. By 2005, Anatel predicts that the total investments in the telecommunications sector in Brazil will reach US$ 53 billion; 47 percent of this amount will be for fixed services and 19 percent for mass communications services.

Wireless penetration continues to grow…
According to Anatel, Brazil has now 60 million mobile lines. This represents a growth of 90 percent as compared to the same period last year. The country could reach 70 million users by year-end 2004. About 79.7 percent of the mobile phones operating in country are prepaid and 20.3 percent are post paid. This represents a teledensity of 33.3 telephones per 100 inhabitants, a 27 percent growth as compared to December last year.

Vivo is the largest mobile operator with 42.4 percent of the total market, followed by Claro with 20.6 percent, TIM with 20 percent, Oi with 9.9 percent and sister companies Telemig and Amazonia with 6.5 percent. TDMA is still the dominant technology with 24,4 million subscribers (40.9 percent of the total), CDMA has 29.7 million and GSM 28.7 million. According to market analysts, by April 2005 the number of GSM mobile phone subscribers will overtake TDMA users.

Brazil´s GSM and CDMA client bases are growing at an average monthly rate of 9.8 percent and 2.4 percent respectively. The GSM client base grew by 6.7 percent in September with 989,900 new lines from the previous month. At the same time, the CDMA client base was up 2.9 percent, with 325,000 new lines from August-September. The TDMA client base declined by 159,000 lines in September compared to the previous month.

US companies should be aware that, while CDMA has a narrow lead in market share over GSM, Anatel's recent interpretations of spectrum use and flexibility have explicitly favored the concept of privileging GSM nationwide. While some technology neutrality has been preserved, at least on paper, the Government of Brazil appears to favor the European approach of settling on one standard in order to speed up adoption and ease roaming. The results of this strategy have, in recent years, put over US$ 1 billion in wireless investments at risk in Brazil, and the US government continues to monitor developments with concern.

Even as fixed line density falls

In the fixed line market, there were 39.2 million phones installed at the end of 2003, up 1.1 percent from 38.8 million at the end of 2002. Fixed line teledensity fell to 22.2 percent at the end of 2003, down from 22.6 percent at the end of 2002, as the fixed line market has not kept pace with population growth, which averages 2-3 percent a year in Brazil.

In the national long distance market, the incumbent Embratel (recently sold to Telmex) lost ground, with its market share falling to 25.2 percent in 2003 compared to 33.2 percent in 2002. Telemar was second with 24.5 percent, Telefonica third with 24.1 percent, and Brasil Telecom fourth with 20.1 percent. Embratel retains firm control of international traffic, with 76.5 percent market share, compared to Intelig's 21.2 percent and 2.3 percent combined at other operators.

As in the US, voice over internet protocol (VOIP) alternatives are available, but regulations governing their use have not been clarified. Investors in this area should exercise extreme caution until Anatel clarifies the regulatory regime for VOIP and the even newer peer-to-peer telephony alternatives.

Top Prospects for US Companies are in Wireless

Good opportunities for U.S. companies will be found mostly in the wireless market since a significant increase of wireless data applications is expected with the deployment of GSM, and CDMA 1xRTT technologies. Trends continue to be toward convergence, i.e., adding telecommunications services, to maximize the benefits derived from investments and efficient operations.

Consolidation predicted for mobile market

According to local analysts, Brazil's mobile market will feature only four or five major players by the end of 2004, compared to seven operators today. The market expects consolidation to be driven by pending deals involving the jointly owned assets of Telecom Italia and local investment group Opportunity called Brasil Telecom PCS. The other major players in the market are Telefonica Moviles and Portugal Telecom's joint venture Vivo, America Movil subsidiary Claro, Telecom Italia Mobile (TIM) and Oi, the mobile division of Brazil's largest fixed line operator Telemar. In order to stay competitive as the market consolidates, mobile operators must join forces with fixed line operations to broaden and bundle their service offerings.

Over 46 million mobile phones are in use in Brazil, and market penetration continues to grow steadily. Competition is fierce. This store is advertising mobile phones manufactured by three different firms.

Export opportunities for wireless and networking

Cellular telephones are expected to be the single biggest end-use market for the telecommunications equipment market in Brazil. Major cell phone manufacturers such as Motorola, Nokia, Samsung, Sony-Ericsson, Siemens, LG Electronics and Gradiente are gearing up production to supply growing markets in Brazil and the South American Region and are even exporting to North America. Other best prospects include IP New Generation Networks (IP NGNs); Corporate and Virtual Private Network Services (VPNs); new revenue-generating mobile services (preferably based on the existing network); broadband multiple services; intelligent services networks; new services merging voice, data, image and sounds; telemedicine equipment; security telecom equipment (alarm receivers and transmitters); and system integration services.

Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Ebe Raso at: ebe.raso@mail.doc.gov.
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html.
- Anatel: http://www.anatel.gov.br/.
- Brazil's Ministry of Communications: http://www.mc.gov.br/.

With its team of industry sector experts, the US Commercial Service can assist US exporters gain entry into the Brazilian market through market research reports, matchmaking services and advocacy programs. The Commercial Service has offices in Brasilia, São Paulo, Rio de Janeiro, Belo Horizonte and Porto Alegre. You can visit us at www.buyusa.gov/brazil or contact us at sao.paulo.office.box@mail.doc.gov.

Travel and Tourism

January 2005

Overview

Brazil has a large and diversified economy that offers US companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the US enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the US Commercial Service's team of sector experts throughout the year. We believe that the travel and tourism industry offers US companies an excellent opportunity to do business with Brazil. If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil.

Brazil is the 9th Largest Source of Tourists to US

The Brazilian Travel and Tourism market consistently ranked 5th in number of visitors to the US until 2000. Although visitors from Brazil have fallen from 909,000 in 1998 to 349,000 visitors in 2003, Brazil still remains an important tourism generating country for the US.

The sharp decline in numbers of Brazilian visitors has resulted from both post-September 11, 2001 security concerns and a depreciating currency which has lost approximately 65% of its value since 1999, making the US a far more expensive travel destination for Brazilians. However, the weakening US dollar should allow more Brazilians to visit the US in coming years.

An estimated 2.5 million travelers departed from Brazil in 2003 to both long haul and short haul destinations worldwide. This is a 15% decline in the number of Brazilians traveling long haul compared to 2001.

The Department of Commerce's Tourism Industries Forecast estimates that a stronger world economy and a more stable and slightly stronger Brazilian currency at the end of 2003 will have a favorable impact on Brazilian arrivals to the US.

Brazil is currently the eleventh largest source of visitors to the US and the growth in number of visitors to the US from Brazil is projected at 19% in 2004 and 34% by 2007. Due to this growth, Brazil represents an excellent opportunity for US travel exporters, particularly attractions, theme parks, hotels, air carriers, rental car companies and other service providers.

Convention Segment Grows while Vacation/Holiday Segment Drops

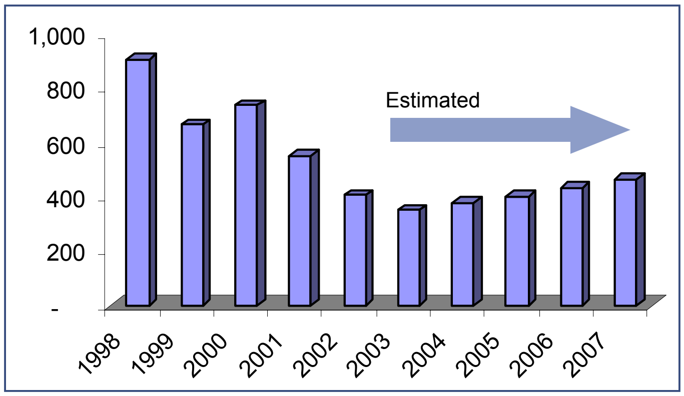
In 2003, 20% of travelers to the US arriving from Brazil attended conventions. This represents an increase in market share of nearly 18% for this segment between 2002 and 2003.

Business travelers continue to represent a significant 39% of the market. However, given the market's contraction, business travel by Brazilians to the US has dropped nearly 14%.

Selected Travel Statistics: Brazilians visiting the US

	2002	2003	% Change
Prepaid Package	9%	6%	- 30%
First International Trip	11%	12%	+ 9%
Average Length of Stay in US	18 nights	16 nights	- 10%
Daily Visitor Spending in US	$93	$104	+ 12%
Average Number of States Visited	1.5 states	1.5 states	no change

Source: International Trade Administration's Office of Travel and Tourism



Brazilians visiting the US, in '000s. Post 9/11 visa requirements for entry and a drop in the value of the Brazilian real dramatically hurt US tourism revenues from Brazil, but we expect a rebound due to the weakened dollar in coming years.

Purpose of Trip to US from Brazil

Purpose of Trip	2002	2003	% Change
Vacation / Holiday	49%	45%	- 8%
Business	39%	39%	no change
Visit Friends / Relatives	33%	30%	- 9%
Attend Convention	17%	20%	+ 17.5%

Brazil's Travel and Tourism Distribution System

A well-structured network of about 10,000 travel agencies, of which about 6,000 issue international tickets, forms the Brazilian travel and tourism distribution system.

It is important to recognize that the Brazilian market is atypical in that most tour operators began as major travel agencies. As a result, firms frequently conduct both functions.

Important industry associations represent the majority of the travel and tourism market in Brazil. The Brazilian Tour Operators Association (Braztoa), formed by 60 tour operators, is the only recognized tour operator entity in Brazil. The Brazilian Travel Agencies Association (ABAV) has approximately 3,000 members throughout Brazil who are responsible for slightly more than 80% of travel sales in the country. Both associations run their own successful yearly fairs in Brazil.

Brazilian Tourists: Latin American, but Different

It is worth noting that while Brazilians share some important travel characteristics with their Latin American neighbors, there are important distinctions. Florida remains the primary destination for most Latin Americans, including Brazilians. However, whereas over 80% of Venezuelans visited Florida in 2003, just over 40% of Brazilians did. In contrast, 17% of Brazilians visited California, as opposed to a nominal number of Venezuelans.

Brazil prides itself on being distinct from the rest of Latin America, and the fact that it speaks Portuguese as opposed to Spanish undergirds this sense of distinction. Fortunately for tourism campaigns, Brazil's population is sufficiently large to be targeted as a separate market. We would be glad to counsel US companies interested in increasing sales in this sector so that they can get to know market prospects in Brazil.

Disney World in Orlando continues to attract Brazilians, accounting for 20% of all trips to the US in 2003

Resources

- For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Jussara Haddad at: jussara.haddad@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for US Commercial Service Market Research Worldwide: http://www.export.gov/marketresearch.html
- The Brazilian Tour Operators Association (Braztoa): www.braztoa.com.br
- The Brazilian Travel Agencies Association (ABAV): www.abav.com.br

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Additional Information

General

The US Commercial Service in Brazil invites you to bookmark our website – www.buyusa.gov/brazil - and use it as a reference whenever you are considering commercial activity in Brazil.

In addition, we encourage you to view this Country Commercial Guide through our eCCG website – www.focusbrazil.org.br/ccg - since we keep reports updated there throughout the year.

Business Travel

Please visit our website www.buyusa.gov/brazil and click on "**Business Travel**" in the lefthand menu. Since travel advisories and information on visa requirements can change frequently, we encourage you to visit our site as soon as you are considering making the trip to Brazil.

You can also click on this link Business Travel to go directly to relevant content on our website.

US and Brazil Contacts

Please visit our website www.buyusa.gov/brazil and click on "**Useful Links**" in the lefthand menu. We maintain a variety of US and Brazilian government contacts on this site. In addition, please consider getting in touch with one of our sector-specific contacts directly if you have specific company contacts you'd like to obtain.

You can also click on Useful Links to go directly to relevant content on our website.

Guide to Our Services

Please visit our website www.buyusa.gov/brazil and click on "**Guide to Our Services**" in the lefthand menu. In addition, please consider getting in touch with one of our sector-specific contacts directly to inquire about a particular service.

You can also click on Guide to Our Services for a printable version of all the services we offer US companies here in Brazil.

Market Research

The US Commercial Service worldwide has published a number of market research reports that are available to US companies. These reports are free to US companies but may require registration before viewing. Our database of reports can be queried by date range, industry sector, geographical region, and country. In addition, keyword searches, e.g. "railroad rolling stock," can made within the document body of the reports themselves. The US Commercial Service in Brazil alone has, in the past 12 months, published over 400 reports in this site covering a broad array of industries, political developments, and major projects.

To see additional CS Market Research Reports, please click on the following link:

http://www.export.gov/marketresearch.html

Upcoming Trade Events

If you click on Upcoming Events you'll find listed a number of trade events in Brazil that may be of interest to you. Our sector specialists participate in many of these shows and can help you meet qualified buyers. We keep this list updated weekly. Feel free to contact the trade specialist in charge of each event directly to find out how you can participate.

Some of these trade events are officially certified by the US Department of Commerce. To see more information on these events, please click on the following link:

http://export.gov/comm_svc/tradeevents.html

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